Weekend FT
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Beware the sickly Russian bear
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Former Yugoslavia
Is there a real chance of peace?
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FINANCIAL TIMES

Europe's Business Newspaper | WEEKEND MARCH 19/MARCH 20 1994 | D8523A

Britain to use US support to press Ulster peace plan

British ministers are preparing to exploit the St Patrick's Day call from President Bill Clinton for Sinn Féin and the IRA to accept the Downing Street declaration. Northern Ireland secretary Sir Patrick Mayhew is today expected to drive home the political advantage created by the US administration with an attack on Sinn Féin president Gerry Adams, claiming he has so far delivered only death and threats of death.
Page 6; The fight goes on, Page 9

UK variable rate bond: The Bank of England is to launch its first UK government bond with a variable rate coupon in nearly 20 years. The coupon is expected to vary at set periods in line with prevailing interest rates and is aimed at banks and building societies. Page 24

Judge says police armed Zulus: President F.W. de Klerk said he had accepted "prima facie" evidence from a judicial inquiry that senior South African police, including deputy commissioner of police Basie Smit, were involved in supplying weapons to the Inkatha Freedom party. Page 4

Mirror cleared to buy Independent: The consortium backed by Mirror Group Newspapers was given government approval to take over Newspaper Publishing, owner of The Independent and the Independent on Sunday. Page 7

Senate to hold Whitewater hearings: The US Senate has voted unanimously to hold hearings on the Whitewater affair, but has left to future negotiation when they are to be held and what ground they will cover. Page 3

Metals group to act against former chief

The supervisory board of Metallgesellschaft said it would take legal steps to seek damages against Heinz Schimmelbusch, the sacked chief executive of the Frankfurt-based metals, mining and industrial group. The board said the move followed an independent report into the near collapse of the group – Germany's 14th largest industrial company. Mr Schimmelbusch has denied responsibility for the debacle. Page 11

Closer airline links: Germany and the US signed an agreement on air transport, paving the way for closer co-operation between German national carrier Lufthansa and United Airlines. Page 24; US avoids showdown, Page 3; Lex, Page 24

SPD sets out tax plans: Germany's opposition Social Democrat party proposed tax reforms to shift the burden of spending on unification from the low-paid to the wealthy as the main plank of its election campaign. Page 24; A policy with whiskers, Page 8

Russia to join Nato peace partnership: Russian prime minister Victor Chernomyrdin confirmed Russia would join the US-inspired Partnership for Peace programme designed to draw former Communist states into a closer relationship with Nato. Page 2

Molins, tobacco and packaging group, increased pre-tax profits for 1993 by 11 per cent to £20.4m on strong demand for cigarette making machinery from China and other developing markets. Page 10

UK gives £3m for repatriation: Britain is adding £3m to the £1.5m aid it has given a United Nations programme aimed at repatriating about 1.5m Mozambicans who fled 15 years of civil war to neighbouring countries.

Bayer, chemicals and drugs group, brightened the German results season with a confident forecast of profits up to 20 per cent higher in the current year. Page 11

Concern over N Korean missiles: The US expressed concern that North Korea was developing two new types of long-range ballistic missile with the potential to threaten most of Asia. Page 4

Air crash: An aircraft carrying Iranian women and children home for New Year celebrations crashed in the disputed Caucasus enclave of Nagorno-Karabakh, killing all 32 people on board.

Ninth murder charge: Police in Gloucester charged builder Frederick West with the murder of a ninth woman, 15-year-old Carol Ann Cooper, last seen alive at a bus stop nearly 20 years ago.

■ STOCK MARKET INDICES

FT-SE 100:	3,218.1	(-37.6)
Yield	3.76	
FT-SE Eurotrack 100	1,445.51	(-16.37)
FT-SE-A All-Share	1,624.88	(-1.0%)
Nikkei	20,469.45	(-122.71)
New York: lunchtime		
Dow Jones Ind Ave	3,857.73	(+2.59)
S&P Composite	469.96	(-0.94)

■ US LUNCHTIME RATES

Federal Funds:	$3\frac{3}{16}$%
3-mo Treas Bills: Yld	3.528%
Long Bond	$92\frac{1}{16}$
Yield	6.877%

■ LONDON MONEY

3-mo Interbank	$5\frac{1}{4}$%	($5\frac{3}{16}$%)
Liffe long gilt future:	Mar $110\frac{11}{32}$	(Mar $111\frac{3}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$13.64	(13.75)

■ Gold

New York Comex (Apr)	$387.6	(383.0)
London	$386.2	(383.15)

■ STERLING

New York lunchtime:		
$	1.4925	
London:		
$	1.4968	(1.4975)
DM	2.525	(2.5158)
FFr	8.6016	(8.5736)
SFr	2.1453	(2.1397)
Y	157.86	(158.278)
£ Index	80.6	(80.5)

■ DOLLAR

New York lunchtime:		
DM	1.69	
FFr	5.7590	
SFr	1.4365	
Y	106.05	
London:		
DM	1.6861	(1.68)
FFr	5.7777	(5.7253)
SFr	1.441	(1.4289)
Y	106.035	(105.695)
$ Index	66.4	(66.1)
Tokyo close Y 106.08		

European bond prices fall sharply after Clinton and Greenspan discuss economy

Fed meeting raises rate concerns

By Michael Prowse in Washington and Our Markets Staff

Financial markets were speculating yesterday that the US Federal Reserve planned an early rise in short-term interest rates, after President Bill Clinton summoned Mr Alan Greenspan, Fed chairman, to the White House for talks on economic policy.

The White House said the meeting was "routine" and denied that interest rate policy had been discussed. However, it was arranged at short notice – Mr Greenspan had to cancel a planned speech at a Dallas economic conference – and came just ahead of Tuesday's meeting of the Fed's open market committee, which sets interest rates.

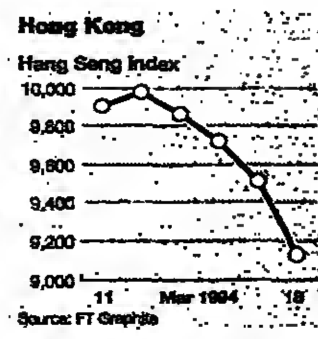
Mr Gene Sperling, a senior White House aide, said Mr Clinton had sought Mr Greenspan's "analysis of the economic fundamentals". He said no messages on interest rates were given or received.

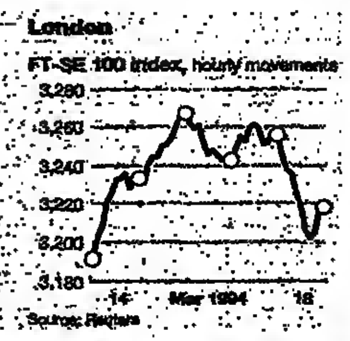
European bond prices, however, fell sharply after early losses in the US market before full details of the meeting emerged.

US markets reacted calmly, appearing to accept that Mr Clinton had not used the meeting to browbeat Mr Greenspan over rates. By early afternoon, the long bond was down about half a point to yield 6.87 per cent, while share prices were flat.

Many Wall Street analysts expect the Fed to raise rates either immediately after next week's meeting or in the next few weeks. The Fed may raise the federal funds rate – the cost of overnight money to banks – by quarter of a point to 3.5 per cent.

The Fed raised the fed funds rate by a quarter point to 3.25 per cent on February 4 – the first increase in short rates for five years. US long bond yields have risen steeply in recent weeks to nearly 7 per cent on the assumption that the February 4 move was the first in a series of tightenings. US markets may thus take another modest increase in rates in their stride.





But further tightening of US monetary policy is certain to be condemned on Capitol Hill. Mr Henry Gonzalez, chairman of the House of Representatives banking committee, said the Fed's monetary policy was "a true abomination". The Fed was fighting a non-existent inflationary threat and might throw millions of Americans out of work.

The White House supported the Fed's move in February but sees little reason for further action because it regards the risk of higher inflation as minimal. Mr Greenspan, however, is thought to believe further rate increases are needed.

The UK government bond market fell sharply, but picked up on the announcement of a floating-rate gilt auction. On Liffe, the futures exchange, the long gilt future opened at 109⅝, fell to a low of 108⅝, before recovering to 109⅝.

The German market was hit by disappointment that the Bundesbank again failed to ease interest rates on Thursday.

On Liffe, the German Bund future fell more than ¾ point to end at 96.62. Italian bonds fared even worse, losing 1¼ points.

In equities, London's FT-SE 100 rallied in the late afternoon to close 37.6 down at 3,218.1. Falls on continental European bourses averaged just over 1 per cent. Hong Kong's Hang Seng index had earlier dropped 4.1 per cent.

Editorial Comment, Page 8; Bonds and currencies, Page 13; London shares, Page 15; World stocks, Page 23; Floating rate gilts, Page 24

Building societies face sharp squeeze on funds

By Alison Smith

Britain's personal savers last month continued to desert building societies in search of better returns on their money. The net outflow of £404m was the highest for 7½ years.

Strong competition for retail savings – from unit trusts and National Savings products in particular – led to the fourth consecutive monthly outflow, according to figures released by the Building Societies Association yesterday.

Mr John Wriglesworth, building societies analyst at stockbroker UBS, said the pressures on societies "rule out any prospect of a mortgage rate reduction in the foreseeable future".

Evidence of the continuing scale of withdrawals coincides with signs that societies are recovering in terms of mortgage lending. Net new mortgage commitments rose from £1.83bn in January to £2.93bn in February, the highest level since July 1993.

Mr Adrian Coles, director-general of the Building Societies Association, said last month's savings figures reflected not just fierce competition for funds but "distortions caused by the payment of the second instalment on the BT3 share issue".

Pressure on societies' retail funding has intensified with the launch of the pensioners' guaranteed income bond. National Savings said last week the bond had attracted £480m in February. It pays an annual fixed rate of 7 per cent gross for five years, and has been bought by nearly 90,000 people.

Mr Andrew Longhurst, chief executive of Cheltenham & Gloucester, the UK's sixth largest society, said societies did not need to attract new savings in order to meet mortgage demand. Net advances of principal in 1993 totalled only £9.43bn, compared with £24.09bn in 1990.

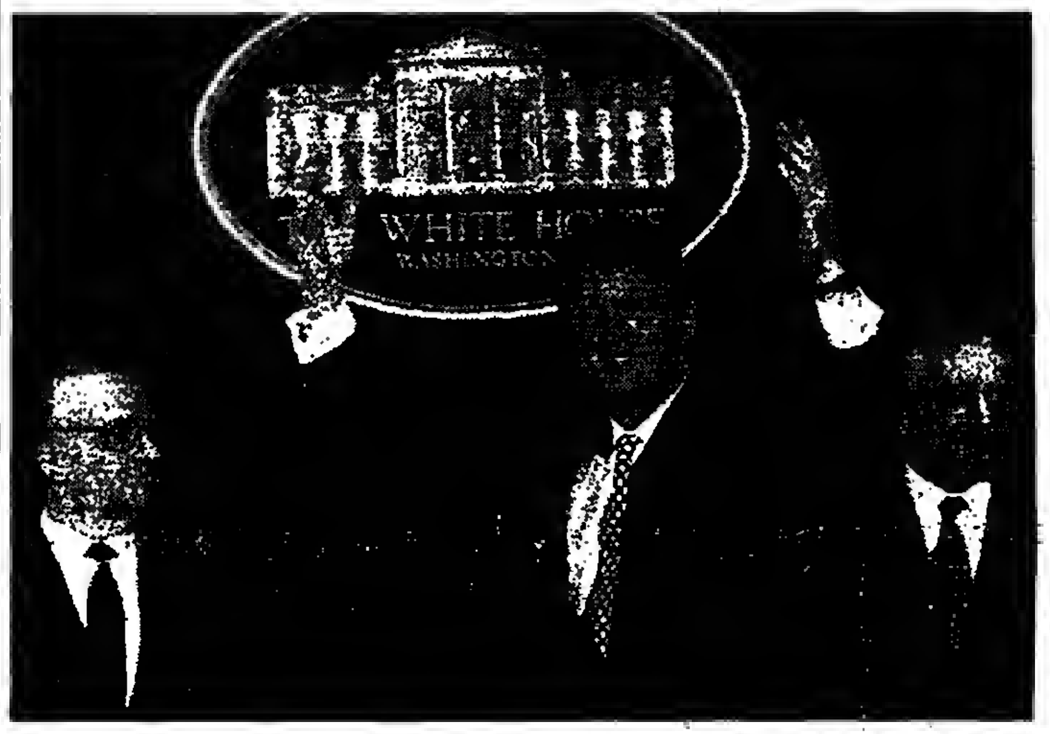
Societies are hoping that before the end of the year the limits on wholesale funds they can raise will be relaxed, but if mortgage demand picks up more sharply and they have difficulty attracting retail funds, they have the option of increasing the rates they offer on savings and the charge on mortgages.

Mr Longhurst said the intense competition among lenders for new mortgages meant across-the-board rate reductions were unlikely.

The previous largest monthly outflow was in September 1985 when savers withdrew money for the TSB Group flotation.

Upturn is a mixed blessing for societies. Page 6

Bosnian Croats and Moslems sign deal ■ Major pledges £12m for Sarajevo



First steps to peace: Bill Clinton with Bosnian president Alija Izetbegovic (left) and Croatian president Franjo Tudjman (right) after the signing in Washington of an agreement binding Bosnian Croats and Moslems in a loose federation. Mr Clinton said the deal offered "one of the first clear signals that parties to this conflict are willing to end the violence". AP

Clinton calls on Serbia to join peace process

By Jurek Martin in Washington, James Blitz in London and Laura Silber in Belgrade

President Bill Clinton of the US urged Serbia yesterday to join the Balkan peace process as Bosnia's Croat and Moslem leaders signed an agreement creating a federation in that part of the republic not held by its Serbs.

He specifically urged the Bosnian Serbs to "join in this effort for a wider peace. We invite and urge them to do so."

Mr John Major, the British prime minister who visited Sarajevo yesterday, also appealed to the Serbs to join the peace process. He said: "I think we just have to continually put pressure on the Serbs to realise that it's going to be necessary to reach a political settlement, that there are no gains to be made by continuing fighting."

While in Sarajevo, Mr Major announced that Britain would provide £12m to help rebuild the infrastructure of the city, of which £5m would be allotted to a joint Anglo-American civil mission to provide health care, rebuild the power generation system and rebuild the city's railway line. The rest would go to the UN organisations providing relief to the area.

Mr Clinton said yesterday's measures were "only first steps but they are steps in the right direction . . . they offer one of the first clear signals that parties to this conflict are willing to end the violence and begin a process of reconstruction."

The US is pinning considerable hopes that next week Mr Vitaly Churkin, Russia's special envoy to former Yugoslavia, will be able to forge an agreement between Croatia and Serbia on the status of the Serb-held Krajina region in south-eastern Croatia.

In Washington, both President

Continued on Page 24
Major visits Sarajevo: picture, Page 7
Peace hopes rise, Page 9

Race is on to beat deadline for VAT on domestic fuel

By Michael Smith and Robert Corzine

British householders are paying electricity and gas bills in advance – in one case, for 21 years – as they race to beat the deadline to avoid paying value added tax on domestic fuel.

By last night, the UK's 15 suppliers of electricity to households had received more than 240,000 payments and British Gas had taken in 66,000.

Numbers paying in advance of April 1, when VAT is imposed, have more than doubled in the last week and by last night total receipts had reached £150m. That figure is expected to be dwarfed by next Friday – the day by which most companies say they need to receive cheques in order to clear them in time.

The VAT rate on domestic fuel will be 8 per cent for the first year, before rising to 17.5 per cent in April 1995.

Mr Gordon Brown, shadow chancellor of the exchequer, will next week ask Offer and Ofgas, the electricity and gas industry watchdogs, what they intend to do about the "windfall cash" being built up by domestic fuel suppliers.

The companies, many of which are cash-rich after a better than expected performance since privatisation, will earn considerable amounts of interest on the pre-payments.

They say they have not encouraged pre-payment and that they have had to spend money to cover costs of customers paying in advance.

Eastern Electricity, based in Ipswich, says will need to take in between £25m and £30m to generate enough interest to cover extra staffing, telephone and computer costs. It has already received close to that amount.

Most power and gas consumers, who have elected to pay in advance, have forwarded the equivalent of between one and two years' bills.

But Manweb, based in Chester, says one customer has paid the equivalent of 21 years' bills and Seeboard, in Hove, says one has paid a sum equal to 18 years' usage. East Midlands says it has received a cheque for £7,500, although it does not specify how long this may cover.

The average annual household electricity power bill is about £300. The gas bill of an average three-bedroomed house with gas central heating is about £380.

British Gas has seen a north-south divide. In the North Thames region, which takes in central London, 14,000 customers have made some form of pre-payment. This compares to just over 3,500 customers pre-paying in British Gas's north west region, its largest, which encompasses Manchester and Liverpool.

Among individual electricity companies with high receipts are Bristol-based Sweb with 40,000 paying £18m and Manweb, where 38,000 have paid £14.5m.

Beat VAT on fuel, Wknd Page V

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هكذا من الاصل

Russians take plunge and say Yes to Nato peace partnership

By John Lloyd in Moscow

Mr Victor Chernomyrdin, the Russian prime minister, yesterday confirmed that Russia would join the US-inspired "Partnership for Peace" programme designed to draw former Communist states into a closer relationship with Nato.

Russia would no longer insist on special conditions for membership, he said.

Under the programme, states are invited to sign an identical framework agreement, but they can then write their own menu for co-operation programmes with Nato. Russia said it would draw up its menu this month.

Mr William Perry, US defence secretary in Moscow for talks with his opposite number General Pavel Grachev, said: "This would be a major event for Nato...Russia is a great power, s nuclear power. They will play a special role in the Partnership."

The Russian decision – if fulfilled – represents an important move by the Chernomyrdin government towards the west, in the face of strong criticism of the Partnership by several influential figures.

Mr Andranik Migranyan, an adviser to President Yeltsin, this week said the Partnership was designed to "isolate" Russia.

The defence and foreign ministries believe Russia would be better in than out, partly because its former allies in central and eastern Europe are enthusiastically joining and Russia still wishes to exert some regional influence. Officials also believe that Russia will gain access to s wider arms markets within the Nato sphere of influence.

But there remain strong areas of doubt among even those politicians who favour joining the Partnership. Mr Andrei Kokoshin, the deputy defence minister and the top civilian in the defence establishment, wrote in the New York Times yesterday that Russia would never be a "younger brother".

Mr Perry insisted that the rules had fundamentally changed, and that agreements between Russia and the west were not a "zero sum game" in which one side lost where the other won. He said he favoured increased contact with other states including Ukraine, but said "this would not be as a buffer to Russia".

A vigorous lobby in the US, led by Dr Henry Kissinger and Mr Zbigniew Brzezinski, has begun criticising the Clinton administration's policy towards Russia as over-accommodating – especially in withholding Nato membership from the central European states which want it.

The US administration has been forced to defend its position on Russia in the face of these attacks, stressing that the Partnership is a flexible one, which could open its doors to full membership for central European countries if Russia was felt to be a threat to their security. In a speech made before his trip, Mr Perry dwelt on the possible threat of a nstionalist Russia – something US administration officials have not done until the last month or two.

Mr Perry said yesterday that the Partnership "gave no guarantee to anyone that thay would become members of Nato" and that, even if states were to become members, it would not be "in the near term". However, the policy remains one of seeking to engage Russia in a range of co-operative activities in the defence field – with joint manoeuvres between Russian and US infantry units in Russia scheduled for this summer.

Mr Perry said western-Russian co-operation on Bosnia had produced significant successes, both in atopping the shelling of Sarajevo and in opening Tuzla airport. However, he added: "Now we are getting into a more complex process – we have a framework agreement between the Croats and the Moslems, but we must get Serb participation as well." He said that Mr Vitaly Churkin, the Russian special envoy to Bosnia and Mr Charles Redman, his US counterpart, were working on getting a "co-operative agreement" between all parties.

A range of agreements were signed, including $30m of US aid for the safe destruction of chemical weapons; $20m seed capital for US-Russian joint ventures in the field of military conversion; and $20m to build homes for demobilised officers.

Hand of peace: Mr Chernomyrdin greets US defence secretary William Perry at the Moscow White House yesterday Associated Press

Reluctant challenger runs Berlusconi close

The Forza Italia leader may come to an unexpected halt in central Rome, writes Robert Graham

One constituency above all others has come under the spotlight in the Italian election campaign.

This is a seat in the historic centre of Rome where media magnate Silvio Berlusconi is staking his prestige as an aspiring politician. It is a three cornered fight between the left, right and centre and could produce a surprise upset.

The Milanese owner of the Fininvest media empire is not on home territory; and he would have been far safer in one of the middle class suburbs where his Forza Italia movement has a sympathetic audience. In central Rome his electorate mainly consists of small traders and shopkeepers profoundly mistrustful of political promises. The voters also include the wealthier members of the professions and the Roman aristocracy: the former mistrust Mr Berlusconi, the latter feel more at home with the neo-fascist MSI.

Mr Berlusconi's two main opponents are Prof Luigi Spaventa, the budget minister, who is backed by the Progressive Alliance of eight left parties, and Mr Alberto Michelini, a former Christian Democrat deputy, standing for the centrist alliance, Italian Pact.

"I didn't want to run for parliament but as a Roman I felt I had to meet this challenge from Berlusconi standing in the heart of Rome," says Prof Spaventa. For a reluctant candidate with little to lose, he has proved something of star, deploying a mordant wit peppered with anglicisms. Even Forza Italia supporters reckon he is running Mr Berlusconi close.

Both candidates could not be more different. Prof Spaventa, a fellow of All Soul's, Oxford, is part of Italy's academic elite and an unashamed intellectual. He is urbane and self-deprecating. Long sympathetic to the old Italian Communist Party, he nevertheless kept his distance and entered the Ciampi government as a technocrat minister. Now he is standing as a candidate for the small left-wing Democratic Alliance, one of the eight groupings in the Progressive Alliance led by the former communist Party of the Democratic Left (PDS).

In contrast, Mr Berlusconi is the epitome of a confident self-made man. He has no intellectual pretensions but is proud of having brought popular entertainment to the public through his television empire. Despite his success, he retains the air of a northern provincial and sticks to long-standing friends. His ideology is avowedly anti-communist – a liberal democrat embracing the free market.

Mr Michelini finds himself the man in the middle. He was a Christian Democrat deputy in the last legislature but left the party last year with his close friend, Mr Mario Segni, the referendum leader. To stand a chance, he needs the catholic vote which has been split by the break-up of the Christian Democrats. Though a well-known journalist, Mr Michelini is closely linked to the conservative catholic movement, Opus Dei, and this may well limit his appeal to the broad catholic vote.

With a flagging campaign, he was forced to deny this week rumours of a deal agreeing to stand down in favour of Mr Berlusconi. But he was heard to complain: "Berlusconi's got his TV and Spaventa's got the backing of the communist cadres and their militants."

Mr Berlusconi is hampered by having to campaign nationally – he has only devoted three days to Rome so far. Through his carefully orchestrated television appearances he has made a strong impact; but in Rome he has been made to look vulnerable by declining a TV debate with Prof Spaventa. Ask any Rome shopkeeper who would win such a debate and the reply is immediate: "Il professore".

The seat is being fought under the new first-past-the-post system that will elect 75 per cent of the deputies. The remaining 25 per cent are elected by proportional representation and majority vote candidates can also stand in up to three other places.

This is a typically Italian way of offering consolation prizes, and Mr Berlusconi is standing for a sure proportional seat in the Lazio region. Nevertheless if he falls in Rome, it would be a damaging blow. On the other hand if Prof Spaventa wins, he is talked of as a potential prime minister.

Editorial Comment, Page 8

Ukraine 'plans to restart third Chernobyl unit'

By Jill Barshay in Kiev

Ukrainian President Leonid Kravchuk has signed an order to start up Chernobyl reactor number 2, widely regarded as unsafe and closed since a devastating fire in 1991, according to environmental activists.

Ukraine is under enormous pressure to find new energy sources to reduce reliance on its main energy supplier, Russia. Relations with its neighbour have been difficult since the break-up of the Soviet Union.

The republic has a $3.2bn oil and gas debt to Russia. It must settle $900m of this debt by April 10 or Russian gas supplies will be cut off. A partial cut-off this month has led to factories being ordered to halve energy consumption. There are fears there will not be enough energy for spring planting this year.

According to Greenpeace, in Kiev, reactor number 2 will be restarted in 1995 under a decree signed on February 23. Two other reactors at Chernobyl remain in operation, although reactor number 4, where the infamous Chernobyl explosion took place in 1986, remains shut down, encased in a concrete shell.

Last October, the Ukrainian parliament passed a controversial resolution to continue energy production at the power plant, reversing its 1991 decision to shut it down by the end of last year. Administration officials refused to confirm or deny the existence of the February 23 order, but did say that its existence waa "possible".

Western exparta and Ukrainian scientists have criticised the Soviet design of the Chernobyl-style RBMK reactors and have urged that they be scrapped immediately. The notorious graphite-core RBMKs are liable to speed up nuclear reaction and get hotter as water intended for cooling turns to steam.

In addition, Ukraine's nuclear industry, which supplies 40 per cent of the country's electricity, has suffered recurring technical problems and safety violations. Automatic safety systems are periodically switched off to boost power production. Just yesterday, a fire broke out at Ukraine's Khmeltnisky nuclear power station and last week, there was a fire at the Zaporizha station.

WORLD NEWS DIGEST

Iraq sanctions to stay in place

The UN Security Council agreed yesterday that sanctions against Iraq must stay despite Baghdad's improved co-operation on eliminating weapons of mass destruction. But the accord obscured sharp divisions within the council, which spent three days in intense discussions on what has hitherto been a brief and routine 60-day review of the embargo. France, which holds the council presidency this month, sought agreement on a formal statement praising Iraq for its greater co-operation. Russia and China supported this but both the US and Britain objected saying Iraq was still far short of full compliance with the cease-fire terms. Diplomats said the French initiative was prompted by fears that even if the Iraqis met these terms, Washington would block lifting sanctions by raising new issues, such as human rights violations. Mr Rolf Ekeus, head of the UN commission charged with destroying Iraq's nuclear, chemical and heavy weapons capability, must raport full compliance before sanctions can be lifted. He expects to do so before the end of the year. *Michael Littlejohns, New York.*

Balladur concession rejected

French union leaders yesterday dismissed a further bid by the Balladur government to blunt opposition to its youth wage legislation, as students demonstrated against the law in the university cities of Toulouse, Nancy, Lyons, Nantes and Rennes. Mr Michel Giraud, the labour minister, sent union leaders a draft of a new decree on the wage and training measures, but the unions said it did little more than dress up in legal language inadequate concessions that Prime Minister Edouard Balladur had made earlier. Mr Balladur promised that young people holding diplomas would be paid no less than the country's FFr5,866 (£672) a month minimum wage, and no less than 80 per cent of sectoral wage agreements. But the unions are still angry that unqualified workers could be paid only 80 per cent of the minimum wage, despite Mr Giraud's claim that such workers would only be working 80 per cent of the time with the remaining hours devoted to their training. The youth wage row comes at an awkward time for Mr Balladur who faces the first test of his popularity in Sunday's first round of voting to elect more than 2,000 local councillors around the country. *David Buchan, Paris*

Boycott threat fells timber deal

Protests against "clear-cut" logging in British Columbia have led two big UK paper companies to cancel pulp contracts with MacMillan Bloedel, the Canadian forest products group. Kimberly-Clark's UK subsidiary has pulled out of a $2m deal with MacMillan, while Scott Paper earlier cancelled a $5m contract. Both companies have faced threats by Greenpeace to organise a consumer boycott in protest against MacMillan's logging practices in the picturesque Clayoquot Sound area of Vancouver Island. Clayoquot Sound contains one of the biggest remaining old-growth forests in North America. The British Columbia government has tried to steer a compromise between environmentalists calling for a total ban on logging in the area, and the forestry companies which maintain that the trees are essential to the survival of nearby mills. The unsightly bare patches left by clear-cutting have given the environmental movement a powerful publicity weapon. MacMillan maintains however, that Greenpeace has misrepresented its forestry practices. The company has launched an aggressive advertising campaign in Canada and Europe to defend itself against the environmentalists' charges. *Bernard Simon, Toronto*

Banker in sell-off row quits

Mr Marian Rajczyk, head of Poland's Bank Slaski, has resigned in the wake of the bank's controversial privatisation earlier this year. His departure means the bank has a better chance of recovering its valuable broking licence. The Securities Commission revoked the licence last month after the bank had been found to have mismanaged the public offer. It failed to speedily register investors' share certificates except those held by management and employees. The bank staff were thus able to take advantage of a price 13.5 higher than the 500,000 zlotys public offer price when the shares were first listed in January while the 800,000 people who bought shares were unable to trade them. The commission has indicated to the finance ministry which holds 30 per cent of the equity and the Dutch ING bank which bought a 25.9 per cent stake that a change at the top of the bank and thorough reform of the broking operation could see the decision reversed. The Bank Slaski has already sacked a deputy chairman and the head of the broking operation and the Bank's supervisory board meets next week to consider Mr Rajczyk's resignation. *Christopher Bobinski, Warsaw*

Insurance chiefs accused

Four senior executives linked to Ina-Assitalia, the Italian state insurance group to be privatised in June, are under investigation for alleged corruption and falsifying of accounts. The inquiry involves financial operations from 1990 to 1992, especially those of the Rome branch. The two most prominent executives are Mr Pierluigi Cassietti, chairman of Assitalia, and Mr Mario Fornari, chairman of Consap, the institute responsible for state insurance business. Mr Fornari was a former managing director of Ina and was considered the main link between the Andreotti faction of the Christian Democrat Party and the insurance business. He has denied any impropriety. *Robert Graham, Rome.*

Danish gas will last 45 years

Denmark, western Europe'a third-biggest oil and gas producer, said yesterday it had known reserves to sustain current oil production levels for 20 years and gas production for 45 years. The Danish Energy Board said it expected Denmark to achieve balance in its energy trade in 1997, meaning that exports of oil and gas would be worth as much as imports of coal. "The continued high oil and gas production will mean that Denmark's net energy expenditure will fall from DKr2.5bn in 1993 to a balance or a small surplus in 1997," the board said. The overall self-sufficiency level for both oil and gas was expected to reach more than 140 per cent in 1997, it said, up from 120 per cent in 1993. The surplus, mostly of gas, has been exported to Sweden and Germany. *Reuter, Copenhagen.*

Setback for Bildt over EU referendum date

By Hugh Carnegy in Stockholm

Sweden is to hold its referendum on joining the European Union on November 13 – assuming the EU resolves its row over voting rights in the enlarged Union.

Although Finland and Norway have yet to set dates for their referendums, the Swedish decision almost certainly ensures that the order of voting in the three Nordic neighbours will be Finland in September, followed by Sweden, and then Norway, in late November or December. Austria is to vote in June.

With support for EU membership among the Nordic countries strongest in Finland and weakest in Norway, the east to west sequence has long been regarded as the best way to win a "yes" vote in the three nations. Polls in Sweden and Norway show the yes vote rising if their neighbours decide to join.

But yesterday's decision was a blow to Mr Carl Bildt, the conservative prime minister, who wanted to hold the referendum in June, or at the latest on general election day in September.

Ha was forced to postpone the date by the opposition Social Democrats, the country's biggest political party, which it is widely acknowledged holds the key to winning a "yes" vote.

The dilemma for Mr Bildt is that if he wins the general election, the Social Democrats are unlikely to campaign enthusiastically for joining the EU, which many of its members oppose.

In Norway yesterday, opinion polls taken after agreement on accession terms this week showed conflicting results. A Gallup poll showed opposition rising to 49 per cent, with support slipping to 28 per cent.

But a poll in tha newspaper Dagbladet showed support moving up sharply to 41 per cent, with opposition falling three percentage points to 49 per cent.

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US Senate to hold Whitewater hearings

By Jurek Martin, US Editor, in Washington

The US Senate has voted unanimously to hold hearings on the Whitewater affair, but has left to future negotiation their date and the ground they will cover.

The compromise, agreed on Thursday night, represents qualified victories for Republicans who have been demanding hearings and Democrats who have resisted them.

No grants of immunity from prosecution will be given to those summoned for questions.

President Bill Clinton seemed resigned to the fact that there would be a congressional forum but again said it would be found not to be worth the expense.

The general White House mood is more upbeat than it was 10 days ago, with the president and Mr Hillary Clinton embarked on a heavy round of public appearances to push the administration's domestic agenda. One senior official said of Whitewater: "We've moved from crisis management to problem management."

The Senate resolution also gives Mr Robert Fiske, the independent counsel, time to conduct his inquiry into whether government officials have conspired to obstruct federal investigations of the failed Arkansas savings and loan entity at the centre of the first family's land and financial dealings, in their home state in the 1980s.

Still unresolved by the Senate action are possible hearings by the House banking committee, tentatively scheduled for sometime late next week.

> No date has yet been fixed and the area of debate is also undecided

Congressman Jim Leach of Iowa, senior Republican on the committee, continues to insist that they be held, but Mr Fiske is unhappy with them and the Democratic leaders in the House are pressing for a delay.

Mr Fiske's federal grand jury took testimony on Thursday from two senior White House members, Mr Bernard Nussbaum, former legal counsel, and Mr Harold Ickes, the presidential counsellor mainly involved with healthcare.

An additional subpoena has been issued to Mr George Stephanopoulos, a close adviser to the president. This brings to 11 the number of White House and Treasury officials called to testify before the grand jury.

Meanwhile, the New York Times yesterday said Mrs Clinton had made as much as $100,000 (£66,934) from trading in the commodities market in 1978-1979, thus transforming the Clinton family finances.

She was advised in her investments, according to the article, by Mr James Blair, a prominent Arkansas lawyer and an investor long close to the Clintons. Mr Blair's principal legal client was Tyson's Food, the chicken producer and big Arkansas company.

The White House reaction to the story was angry. One official said: "Hillary and Jim were friends; he gave her advice. There was no impropriety. The only appearance is being created by the New York Times." The Clintons had fully declared their profits in tax returns, be said.

Mr Blair responded by saying it was ridiculous for the Clintons to have to "weed their friends out and say they can only have friends who are sweeping the streets."

EU biotech market may be worth $94bn in 2000

By Ronald van de Krol in Amsterdam and Daniel Green in London

The European biotechnology market is expected to grow 15 times, to exceed $94bn (£63bn) by the year 2000 and create up to 2m new jobs, the management consultancy Ernst & Young said in a survey of the industry, released at a seminar in Amsterdam.

"This industry has emerged from academic science to become one of Europe's most promising industries," the study said, quoting a European Union advisory group's estimates.

The group, formed in 1989, puts the current European market for biotechnology-derived products at Ecu5bn (£3.8bn), rising to Ecu83bn by the end of the century.

Biotechnology companies are expected to raise around £1bn through initial public offerings on the London Stock Exchange over the next couple of years. This would allow early investors, such as venture capital companies, to cash in their investments and plough them back into the industry to fund new starts.

While US companies have found it increasingly difficult in recent months to raise money in stock market flotations, the London Stock Exchange has already attracted more than £200m in initial public offerings from biotechnology companies since June 1993, when it altered its "profits track record" rules on profitability for young, emerging pharmaceutical and diagnostic companies.

The changes have made London – the first exchange in Europe to adapt its rules to the special needs of fledgling biotechnology companies – an alternative to the US Nasdaq exchange used by some European biotechnology companies.

So far, 11 biotechnology companies have found their way to the London exchange, and brokers expect about 20 such companies to be listed within the next 12 months, according to Ernst & Young.

The survey also found that the pace of alliances in the European biotechnology sector is set to pick up sharply, partly reflecting a new interest among large pharmaceutical companies in harnessing the technologies developed by smaller, younger companies.

The survey findings were presented this week at a conference in Amsterdam organised by Ernst & Young and Atlas Ventures, the venture capital group, to promote partnerships within European biotechnology.

At the event, 35 biotechnology companies presented themselves to an audience of 150 potential partners, including not only investors but also representatives from pharmaceutical companies.

Mr Steven Burrill, an adviser to Ernst & Young, said that, although European biotechnology companies still lagged behind their US counterparts in finding finance, they enjoy some advantages, one being the quicker product approval by European regulators.

Ron and Ollie's big falling-out

Jurek Martin tells how two American heroes found feet of clay

Once they were inseparable, two conservatives locked together in a common cause. The young man would walk through walls and around the law for his boss, who returned the compliment by describing his acolyte as "a hero."

This relationship is now in tatters.

Inserting himself with vigour into the Virginia contest for a US senate seat, the most widely watched political race of the year, former President Ronald Reagan has rounded on former Lt-Col Oliver North and, in effect, called him a liar.

Mr Reagan's intervention came as a letter solicited by an old friend, former Senator Paul Laxalt of Nevada, and was promptly released by the campaign of Mr North's rival for the Republican nomination, Mr James Miller, budget director in the Reagan White House.

"I do have to admit," Mr Reagan wrote, "that I am getting pretty steamed about statements coming from Oliver North. *I never instructed him* or anyone in my administration to mislead Congress on Iran-Contra matters or anything else. And I certainly didn't know anything about the Iran-Contra diversion ... and the private meetings he said he'd had with me just didn't happen."

Mr North, whose own conspiracies, freelance or not, consumed the US in Mr Reagan's second term, immediately saw another conspiracy. Citing threats to his life by Abu Nidal, the terrorist, as evidence of his loyalty, Mr North's faxed reply said the former president had been "seriously and intentionally misinformed" about his service on the national security council, and meetings of the two did take place.

Mr North's candidacy in Virginia is ferociously controversial and has been stoutly opposed by Senator John Warner, a Republican not up for re-election this year. If Mr North beats Mr Miller, as be has been favoured to do, he will face Senator Chuck Robb, the incumbent Democrat.

Mr Robb is no stranger to recent controversy. He is a former Marine whose wife is the daughter of the late President Lyndon Johnson. The senator recently admitted, in a pastoral constituency letter, to conduct unbecoming in a married man, namely extra-marital affairs.

Mr North, a self-appointed symbol of rectitude, loved this confession. His fondness for Mr Reagan's intervention is much less apparent.

TELLING IT LIKE IT WAS?: Oliver North (left) and Ronald Reagan no longer concur on their White House past Picture: Reuter/Ashley Ashwood

Brussels agitates against American regulatory charges on foreign banks

By Gillian Tett in Brussels

The European Union is to step up pressure on the US to reverse plans to introduce charges for the regulatory supervision of non-US banks operating in the US.

A meeting of European finance ministers on Monday will authorise a strongly worded protest to the US Federal Reserve and the Senate banking committee, insisting that the new regulations contravene the Gatt agreement, European Commission officials said yesterday.

The issue is likely to make further difficulty in trade relations as the EU and US wrangle over their final offers for market access before a Gatt meeting next month.

Commission officials in Brussels said the proposed audit charges were "grossly discriminatory" because they would only affect non-US banks. "The fact that this is going to the economics ministers' council shows how seriously we take this," a commission official said.

The Federal Reserve has so far refrained from indicating how high the charges would be. However, the development has prompted anger among European banks and governments, which say that the charges would impose an unfair burden on European and other banks operating in the US and contravene the principle of national treatment.

One European diplomat yesterday said: "In money terms, this might not necessarily be very much but the principle is extremely important. This is blatant discrimination against the non-US banks."

However, one of the three US federal regulatory authorities, the Comptroller of the Currency, does levy charges on domestic banks.

The proposed new charges emerged as part of the foreign banking supervision act, which was passed by the US Congress during the Bush administration but is not yet implemented. The relevant provision states that foreign banks shall meet the "cost of any examination" required under the regulatory framework.

The requirement, aimed at strengthening supervision of foreign banks in the US, was prompted by the collapse of Bank of Credit and Commerce International.

This has provoked much unease within the Federal Reserve, already in a tussle with the Treasury and the Senate banking committee over proposals to reform the US banking regulatory framework.

With the Senate pressing for the relevant provision to be implemented, the Federal Reserve has called for public consulation before the new charges are introduced.

Jump in foreign chip sales to Japan

By Louise Kehoe in San Francisco

The foreign share of the Japanese semiconductor market jumped to 20.7 per cent in the fourth quarter of 1993, the highest figure since the US began monitoring the share in 1986.

The increase has averted a further rise in trade friction between the US and Japan.

The closely-watched data are the primary measure used by the US to determine Japan's compliance with a bilateral trade agreement, in which Japan "recognised the expectations of the US semiconductor industry that foreign market share should rise to at least 20 per cent by the end of 1992."

The fourth-quarter figure represents an increase of 1.6 per cent over the previous quarter, the largest jump since the governments began compiling market share data.

"We are pleased to see an increase in foreign market share for the fourth quarter," said Mr Mickey Kantor, US trade representative. "However, we remain concerned that US and other foreign semiconductor suppliers are not achieving improved access to the Japanese market on a sustained basis."

In 1992, US officials noted, the fourth-quarter figure hit a similar high point of 20.2 per cent, only to decline sharply over the next three quarters.

"This year, we sincerely hope that Japan will not become complacent with the fourth quarter's positive results, only to have the market access figure slide backwards in subsequent quarters," said Mr Andrew Procassini, president of the Semiconductor Industry Association, a trade group representing US chipmakers.

"It is essential that effective steps be taken now by the Japanese government and industry to ensure that gradual and steady improvements in foreign market share continue throughout the duration of the arrangement," which ends in 1996, said Mr Kantor.

Japanese industry officials said the fourth-quarter market share increase and the large increase in foreign semiconductor sales in Japan over the past year "are among the many indicators of the wider access enjoyed by foreign suppliers".

Sales of foreign-made semiconductors to Japan rose to $4.5bn (£3bn) in 1993, up from $3.3bn in 1992, according to the Electronic Industries Association of Japan. The trade group noted that this represents the seventh year that foreign sales have increased. Almost 90 per cent of foreign sales to Japan come from the US.

The EIAJ also noted that foreign market share stands at 22.1 per cent when the sales of "captive manufacturers", who make chips for their own use, were included. The US does not recognise this figure.

Government and industry officials from the US and Japan are expected to consider, in Hawaii next week, whether Japan is doing enough to comply with the semiconductor agreement.

Emergency consultations in January, following the announcement of a decline in market share in the third quarter, ended without agreement on any additional actions by Japan.

"Japanese government and industry should come forward, beginning [at] next week's trade consultations, with a plan to prevent a repeat of the foreign share declines that characterised most of 1993, and to assure the 'steady progress' required by the 1991 US-Japan Semiconductor Trade Agreement," said Mr Procassini.

"We believe the focus should be on the mutual reliance and complementary relationships that have grown between Japanese semiconductor users and foreign suppliers," said Mr Hidekiko Yoshida, senior executive vice-president of Toshiba and chairman of the EIAJ's committee to promote purchase of foreign semiconductors.

US airlines agree not to use 'price-fixing' information system

By Richard Tomkins in New York

Six US airlines have agreed not to use a computerised fare information system to communicate proposed fare changes, following federal government allegations that the system amounted to a price-fixing ring.

The US Justice Department had accused the carriers – American Airlines, Delta Air Lines, Continental Airlines, Northwest Airlines, Trans World Airlines and Alaska Airlines – of using the system to exchange coded messages about planned fare changes.

The department said the system, run by the industry-owned Airline Tariff Publishing Company, amounted to an "electronic smoke-filled room" used by airlines to float fare changes, receive counter-proposals, and reach consensus on the amount and timing of price cuts or increases.

The department's anti-trust suit alleged that one airline might signal its intention to reduce fares on one of its competitor's most lucrative routes, only to receive a threat from the competitor to cut fares on the first airline's most profitable routes. Often, the result was a decision to abandon the fare cuts or reach an accommodation, the Justice Department said.

The airlines said the continuing fare war to the US domestic market showed the allegations were baseless, and travel agents said the absence of information on planned fare changes would make it more difficult for people to plan travel.

However, the airlines stopped the practice when the suit was filed more than a year ago, and agreed not to re-start it.

The settlement is substantially the same as one reached with the other two big US carriers, United Airlines and USAir, in December 1992 after a similar suit. The airlines will not be penalised.

Washington's new ticket avoids showdown

Paul Betts plots a route through what is still challenging turbulence between American and foreign air carriers

The US government has averted a showdown with two of its main European allies on aviation policy by renewing British Airways' ticket code-sharing rights with USAir and approving a similar agreement between Lufthansa of Germany and United Airlines.

But the decisions, taken after a week of hectic meetings in Washington, have failed to resolve the underlying tensions in aviation relations between the US and other industrialised countries.

As a reminder of the continuing difficulties and tensions in international aviation, Japan yesterday said it would shorten the licence period for US airlines on trans-Pacific routes to Japan from one year to six months, in retaliation for a US decision to postpone approval for a Japan Airlines service to Honolulu.

The US is also in dispute with Australia over airline services and continues to have no bilateral air service agreement with France, following the French government's earlier decision to renounce its aviation pact with the US.

South-east Asian carriers have also warned the US they are considering formation of their own airline bloc to protect their aviation interests, unless they can secure similar rights to US airlines both in the Asia-Pacific regional market and the US domestic market.

Mr Cheong Choong Kong, chairman of the Orient Airlines Association and managing director of Singapore Airlines, recently called for fairer conditions in US aviation relations with Asia, especially since the Asian market was expected to overtake the domestic US market in size by the end of the century.

"It seems to be the US against the rest", one US airline executive said.

The heightened tensions between the US and other industrialised countries are in large part the result of a new breed of big US carriers seeking to exploit far more vigorously the historical aviation rights which the US had secured, in both the European and Asian markets, after the second world war.

These traditional rights had been held by the now defunct Pan American Airlines and TWA. These airlines have now been superseded by American Airlines, United and Delta Airlines, which have been aggressively seeking to expand their international reach, using existing US international aviation traffic rights as well as pressing their government to negotiate even greater access to foreign markets.

In an increasingly global and liberalised airline market, both European and Asian flag carriers have in return asked for more access to the US market.

The most significant dispute, however, has involved the bilateral aviation relations between the US and the UK, whose trans-Atlantic routes are the busiest in the world.

The ultimate outcome of the protracted negotiations between Washington and London is seen as likely to set a pattern for other aviation agreements with the US, which now accounts for about 40 per cent of the western air travel market.

Both the US and the UK are committed to airline liberalisation. But, while advocating "open skies" and open trade relations, the governments of both countries have had to contend with the conflicting interests of their respective airlines and have been reluctant to make any significant concessions to break the current deadlock.

The issue has been further complicated by the two countries' different interpretations of what "open skies" entails. Simply put, the US has offered the UK "open skies" across the Atlantic but not in its domestic market. The UK, in turn, has offered the US more access into the UK market but not at Heathrow in London, the world's busiest international airport.

In return for allowing United Airlines and American Airlines to replace Pan American and TWA at Heathrow in 1991, the UK secured code-sharing rights for British carriers in the US. BA subsequently exercised these rights after forging a partnership with USAir, the sixth-largest US carrier, in which it invested $400m (£268m) via a 24 per cent stake.

The US airlines claimed that this was, in the words of American, "a lousy deal" for them in that it gave BA access to their market without similar benefits for US carriers at Heathrow.

The UK has insisted, though, that any additional access for US carriers to Heathrow would depend on the US granting more opportunities for UK airlines in the US market, either by allowing them to acquire bigger stakes in US carriers or by possibilities to serve additional US domestic destinations.

Some US airlines then pressed Washington to renounce the existing aviation agreement with the UK and withdraw BA's code-sharing rights with USAir.

At the end of the day, the US administration decided to avoid an all-out confrontation by renewing, on Thursday night, BA's existing code-sharing rights for a full year, while expressing extreme disappointment with the lack of progress in the negotiations.

The two countries last year had hoped to reach a broad agreement on liberalisation by the end of April 1994. It seems highly unlikely that they will meet this target. Both sides yesterday said they had no plans to resume talks.

In their absence, the stand-off continues, with the rest of the air transport industry anxiously watching.

The ultimate stakes are significant. An agreement would pave the way for even broader liberalisation in international air transport.

Failure would fuel all the old protectionist instincts of the airline industry.

UN due to pass resolution on settlers

By David Horovitz in Jerusalem

Speculation intensified in Jerusalem yesterday that the Israeli government was considering the evacuation of at least some of the settler anclaves in the heart of Hebron wbere at least 30 Palestinians were massacred by a Jewish settler last month. The Palestine Liberation Organisation has demanded a crackdown on settler radicals as a pre-condition for resuming peace talks.

Mr Yassir Arafat, the PLO chairman, is expected to meet Mr Shimon Peres, the Israeli Foreign Minister, in Cairo early next week in an attempt to clear the way for a resumption of negotiations on Palestinian autonomy in the occupied territories. The meeting had been initially scheduled for tomorrow but it was then realised that the bost, President Hosni Mubarak, would only return to Egypt late tomorrow night from a conference in Zimbabwe.

Mr Peres said yesterday that be planned to discuss with Mr Arafat ways to speed up the implementation of the "Gaza-and-Jericho first" autonomy deal. The idea of a Peres-Arafat meeting was raised by Mr Dennis Ross, the US peace talks co-ordinator, wbo is due to visit the region again next week to mediate a resumption of the autonomy negotiations. The plan was accepted by the PLO on condition that the UN Security Council first issued its much-delayed resolution condemning the February 25 massacre.

The Security Council was scheduled to vote late last night on the resolution, which includes a call for new measures to protect Palestinians in the occupied territories, including the deployment of "a temporary international or foreign presence."

Mr Yitzhak Rabin, Israel's prime minister, has said he would allow an international observer force to deploy in the West Bank, and has also said be would be delighted if about 1,000 Palestinian policemen, who resigned their Israeli-supervised posts at the start of the uprising more than six years ago, were to return to their duties.

Mr Rabin and Mr Peres were closeted together for several hours in Tel Aviv yesterday. It is possible that the government could decide to bring the 400 Jewish settlers inside a single compound, instead of the present situation where they are dispersed in small enclaves across Hebron.

Mr Peres insisted yesterday that "no decision was yet taken" on the matter. But Mr Yossi Sarid, the environment minister, who has been playing an increasingly prominent role in the peace negotiations, said that, "there probably will not be any alternative but to evacuate certain settlement sites inside Hebron."

Talk of moving or evacuating Hebron settlers bas brought a wave of right-wing protest. Rabbi Moshe Levinger, the ideological leader of the settlers, said that Mr Rabin's reference on Thursday to the "crazy" dispersal of Jews across Hebron was "an insult to our forefathers and to all settlers." Mr David Levy, foreign minister in the former Likud government, warned that the government was "bowing to PLO dictates ... capitulating to PLO demands."

Reuter

A rabbi helps an Israeli border policeman prepare for prayers at the Wailing Wall as be takes a break from guard duty

Japan seeks better links with China

William Dawkins and Tony Walker preview Mr Hosokawa's visit to Beijing

Mr Morihiro Hosokawa, the Japanese prime minister, will be less direct than the Americans and yet more frank tban his own predecessors when he starts his first official visit to China today.

Chinese leadars will welcome Mr Hoaokawa's low-key demeanour, a contrast to Washington's recent bluntness towards China. So be can expect a warm reception, in contrast to the chill that greeted Mr Warren Christopher, US secretary of state, last week, when he was strongly criticised for Washington's decision to link renewal of China's trade privileges under its most favoured nation (MFN) status to an improvement in human rights.

Mr Hosokawa's visit, the first by a Japanese prime minister for three years, marks an increase in Sino-Japanese official contacts. This reflects a sharp rise in two-way trade and Japanese investment in China, and Beijing's eagerness to sound ont Japan's first non-Liberal Democratic Party government for 38 years.

Only last month, Mr Zhu Rongji, China's senior vice-premier in charge of the economy, met Mr Hosokawa and members of his government in Tokyo, while Mr Tsutomu Hata, Japan's foreign minister, visited Beijing in January.

Yet Mr Hosokawa will also show on his three-day visit that Japan's attitude to China has changed, if only in tone, from tbe emollient stance shown by Liberal Democratic Party governments during its 38 years in power.

Japanese officials say they want relations with China to mature, in the sense that both sides should speak more freely.

Mr Hosokawa shares strong views on human rights with his foreign minister, wbo told Chinese leaders in Jannary that Tokyo would be more frank in discussing sensitive issues. "We expect China to take a more positive attitude," said a Foreign Ministry official yesterday.

Mr Hosokawa is also expected to suggest to Beijing that it could make its allies less nervous by giving more information about its planned 22.4 per cent rise in military spending this year. He is likely to register Japan's worries over China's resumption of nuclear weapons tests last October and call for more help from Beijing in enticing North Korea away from nnclear weapons.

The environment is also on Japan's agenda. One side effect of China's economic growth has been concern over acid rain from its coal-fired power stations reaching Japan. Mr Hosokawa is due to sign an environmental protection agreement, which should go some way to assuaging Japanese worries.

Japan is also moving for the first time towards using its weight as Beijing's largest provider of bilateral aid to try to influence policy.

Officials have indicated future cheap loans could be used to encourage Beijing to be more open about defence spending and to come up with environmental projects, a change from Tokyo's previous policy of disbursing Chinese aid without conditions.

Japan's five-year Y810bn loan programme for China, the only country to get long-term loans from Tokyo, runs ont at the end of next year, so the subject could come up. Beijing wants another long-term programme, fixed in yen, but Tokyo is understood to lean towards tougher conditions: shorter loans at a floating exchange rate.

At tbe same time, neither side wants to let sensitive topics spoil their very good relations.

Japan, for one, needs to protect its fast-growing economic interests in China. Until three years ago, Japanese companies were cautious. But the rapid growth of China's economy – 13 per cent last year – has sucked in a sharp increase in Japanese investment and trade. Two-way trade rose by 31 per cent to a record $37.84bn last year, when a 45 per cent rise in exports to China made it Japan's second-largest foreign market.

Corporste Japan has turned increasingly to China as a cheap production site to escape the blow to its own competitiveness inflicted by the rising yen.

Japanese companies signed $2.2bn-worth of investment contracts in China in tbe first nine months of last year, slightly more than in tbe whole of 1992, according to the Japan External Trade Organisation. China is now Japan's biggest new investment location, according to a survey by the Export-Import Bank of Japan.

Yet Japan's caution has made it relatively late in the race for the Chinese market. By the middle of last year, it had compleled $5.2bn of investment in China, set to rise to $6bn this year, making it only the third foreign investor after Hung Kong and Taiwan.

China, too, wants to develop the relationship. A recent commentary in People's Daily, the Communist Party newspaper, shows high hopes of Japan as a source of investment and advanced technology.

Cbina's long-term growth rate of 8-9 per cent had created conditions for prosperity in both China and Japan, and this was now accepted by the Japanese political and business leadersbip, it said. Japan is funnelling abuut $200m into China annually to help train Chinese managers and enhance Chinese expertise in various areas, including environmental protection.

There is a chance that Mr Hosokawa might confront anotber sensitive subject: Japan's wartime atrocities in Asia. This appears to be the minds of the Cbinese public, judging by yesterday's demonstrations for compensation outside Japan's Beijing embassy.

Mr Hosokawa won respect from some of his Asian partners when he first issued an apotogy, on becoming prime minister last August, for Japan's wartime behaviour.

Wbether be chooses to repeat the gesture, that episode in history is a brooding factor in the general background of Sino-Japanese relations. The Cbinese themselves are not averse to manipulating Japanese guilt to their own advantage.

JAPANESE INVESTMENT IN CHINA
Contracts signed

Date	$m	Number of contracts
1989	438	294
1990	457	341
1991	612	599
1992	2170	1805

Date	Contracts carried out
1989	356
1990	503
1991	532
1992	710

Source: Japan External Trade Organisation

Hosokawa: low-key demeanour

US concern over Pyongyang missiles

By Jurek Martin in Washington

The US has expressed concern that North Korea is in the process of develuping two new types of long-range ballistic missile witb the potential to threaten most of Asia.

Mr James Woolsey, director of the CIA, told a symposium at the agency's headquarters on Thursday night that if the new North Korean missiles were bought by unnamed countries in tha Middle East, Europe could also potentially be at risk.

"These new missiles have yet to be flown," Mr Woolsey said, "and we will monitor their development, including any attempts to export them." Earlier this month Jane's Defence Weekly reported that satellite reconnaissance had detected what appeared to be full scale mock-nps of two new missiles at a site of North Korea's north east coast.

He drew a distinction between the threats posed by tbe North's nuclear and missile programmes. On the former, the US, according to congressional testimony this week by Mr Winston Lord, the undersecretary of state for Asian affairs, still hopes Pyongyang will agree to full inspection of its facilities.

But planned bilateral talks due next week have been postponed and the US is again considering re-activating the Team Spirit military exercises beld jointly with South Korea. These were put on bold, as were prospective deployment of US Patriot anti-missile missiles in Sonth Korea, so as to indnce the North to co-operate witb inspectors from the International Atomic Energy Agency.

Yesterday, Congressman Lee Hamilton, chairman of the House foreign affairs committee, urged further pressure on North Korea, including deployment of the Patriots and going ahead with the Team Spirit exercises.

"The pattern bas been that North Korea does eventually accede if enough pressure is hrought on them," he said on TV. "All we can do is to ratchet that pressure up and at the same time keep open the opportunity for a negotiated solntion."

Police armed Zulus, says judge

By Patti Waldmeir in Ulundi, South Africa

A judicial commission of inquiry in South Africa yesterday publisbed evidence showing that senior officers of the Soutb African police belped supply weapons to the Zulu-based Inkatha Freedom Party, the clearest suggestion yet of security force involvement in political violence.

The report, released yesterday by tbe prestigious Goldstone Commission, headed by Judge Richard Goldstone, appearad to support longstanding allegations by the African National Congress that a "third force" is involved in political violence between Inkatha and the ANC.

The report said a special police unit was involved in the manufacture and smuggling of weapons to Inkatha and that Lt-Gen Basie Smit, police force No 2, Maj-Gen Krappies Engelbrecbt, head of police intelligence, and Maj-Gen Johan le Roux, another senior police officer, had been aware of the unit's existence.

President F W de Klerk said the three men had been suspended and an international task force would investigate their case.

The commission's report alleged that senior police officers were involved in arms supplies to Inkatha since 1990. In 1992, the so-called Inkathagate scandal, involving government funding to Inkatha rocked the governmant of President de Klerk. At that time, be claimed he was unaware of the funding and insisted that all improper links between Pretoria and Inkatha had been severed.

President de Klerk announced a purge of tbe senior ranks of the police force in late 1992 and appointed a respected officer of the South African Defence Force to conduct an inquiry into security force involvement in violence.

This was never published and its recommendations were never made known.

Yesterday's report said the men were involved in tbe manufacture of home-made weapons in the East Rand townships near Johannesburg which have seen some of the worst violence since political unrest increased dramatically four years ago.

Meanwhile, in a move likely to increase the potential for further political violence, Zulu king Goodwill Zwelethini held a public meeting at Ulundi, capital of the Kwa Zulu black bomeland to call on his supporters to boycott April's all-race elections.

He urged them to fight to defend the sovereignty of the Zulu nation, which be said was under threat.

"I call on all Zulus to fulfil their sacred duty to defend our freedom and sovereignty," he told a crowd of 15,000 heavily-armed Zulu warriors. The ANC and government had hoped to persuade the king to endorse the election, despite the opposition of Inkatha, but this hope was dashed last night by the king's belligerent address.

Top Indonesian bankers held in $430m scandal

By Victor Mallet in Bangkok

Indonesia said yesterday it had arrested two senior bankers in connection with a scandal over a $430m (£294.50m) letter of credit extended hy a state bank. The loan was supposed to finance petrocbemical projects but was allegedly diverted to Hong Kong.

The case involving PT Bank Pembangunan Indonesia (Bapindo) is arousing intense interest among Indonesians and their trading partners because of concerns about the bad debts of the state banks, which account for about 60 per cent of bank business in the country.

The two men arrested were Mr Towil Heryoto, who headed Bapindo until he was replaced by the government this week, and Mr Subekti Ismaun, who was chief of tbe bank when the unsecured letter of credit was issued in 1992, according to the Attorney General's office.

Another former Bapindo executive and Mr Eddy Tansil, director of the Golden Key group which received the credit, were arrested earlier.

With accrued interest, the loan is now supposed to be worth more than $620m, but it is apparently not being repaid and it is not clear where the money went.

Mr Mar'ie Muhammad, tbe Indonesian finance minister, announced recently that latest figures showed 21.2 per cent or around $7bn of outstanding loans extended by the seven big state banks were classified as bad or doubtful, compared with 17.4 per cent at the end of 1992 and 6 per cent in 1990.

Bankers in the private sector believe some state banks, which have a repntation for lending money to businessmen with good political connections, have bad or doubtful loans amounting to as much as 60 per cent of their portfolios. Althongh appalled by tha extent of the problem, they are happy to see the finance ministry trying to tackle the issue in public.

"In the past this would never bave come up: it would have been swept under the carpet," said one banker. "It has been taken very seriously by tbe ministar of finance."

The Attorney General's office said it wanted to bring the four men in jail to trial as soon as possible. "This is not a case about bad or problem debts, but about corruption."

Banks back Brazil on restructuring

By Angus Foster in São Paulo

Brazil's bank creditors yesterday appeared ready to go ahead with a $52bn (£35.60bn) debt restructuring even though the country failed on Wednesday to win a standby loan accord from the International Monetary Fund.

Creditors holding at least 66 per cent of the deht need to drop their original requirement for IMF support if the deal is to go ahead. Mr William Rhodes, vice-chairman of Citibank and chairman of the bank advisory committee, said he was "confident we will get the waivers by the end of next week". Banks on the advisory committee, wbicb account for about a third of the debt, have already backed the waiver and asked other creditors to agree by March 24.

Bankers were rushing to complete various technical details in time for a notification deadline due to expire last night. The restructuring is due to go ahead on April 15 and would make Brazil the last large Latin American country to complete a Brady-type debt deal.

Brazil, tbe developing world's largest dehtor nation, is also tbought to have made arrangements to secure up to $2.8bn in US Treasury zero coupon bonds as a guarantee for the first part of the restructuring.

The guarantee was originally to have been provided by the US Treasury, but only if the IMF had provided a standby facility. Brazil says it has "executed arrangements" to have the collateral in place when it is needed.

HK property boom row

Hong Kong's government was yesterday urged to bring in drastic measures or face social unrest, Lonise Lncas writes from Hong Kong.

Mr Martin Lee, leader of the minority United Democrats Party, told a finance committee meeting of the Legislative Council (LegCo) tbat people were growing increasingly diegruntled at being unable to buy a flat in the boom market. "It could end up in public disturbances," he said, proposing the introduction of a property gains tax.

Mr Tony Eason, secretary for the planning, environment and land department, said the answer was to speed up the supply of land. This is limited to 50 bectares a year under the 1984 Sino-British agreement.

Testing in jeopardy, stress head teachers

By John Authers

Secondary school heads yesterday stepped up pressure over the national curriculum witb a statement that industrial action by only one teacher could be enough to halt all tests in a school.

Mr John Patten, the education secretary, immediately attempted to persuade heads to take a stronger line against the action.

Addressing the Secondary Heads Association's annual conference in Bournemouth, he said: "Any industrial action in schools puts heads squarely in the crossfire. That is bound to be uncomfortable. But head teachers as managers and chief executives of their scbools know that big issues are at risk."

Head teachers are in an awkward position because the UK's largest teaching union, the National Union of Teachers, intends to boycott all the tests.

Mr Patten said sucb action was "damaging and pointless" and added that both Sir Ron Dearing, the government's chief adviser on the tests, and Ofsted, the education watchdog, had found the tests valuable.

Pressure on Mr Patten had seemed to have lifted after the two other teachers' unions which boycotted the tests last year – the Association of Teachers and Lecturers and the National Association of Schoolmasters Union of Women Teachers – advised their members to abandon the boycott this year.

But Mr John Sutton, general secretary of the Secondary Heads Association, which includes 80 per cent of all secondary scbools, made it clear that the NUT could atill cause serious disruption.

Mr Sutton told conference: "Our members will not ask teachers to undertake tasks which members of the NUT have refused to do. If you have a head of department who is boycotting, you've probably blocked all tests for that department."

He added that NUT members responsible for a school'a overall timetabling would ba able to force abandonment of the tests altogether.

Mr Patten mada a strenuous attempt to shake heads away from this position, saying that both the law and the Dearing proposals were at stake. "If, as head teachers, you believe in the consensus which Sir Ron has fashioned, I bope you'll stand up for that consensus and make it work," he said.

In another speech to Conservatives in Andover last night, Mr Patten expressed deep concern at the decline in the teaching of British history in schools and called for it to take pride of place in schoolchildren's historical studies.

"We must not allow our children to be robbed of their birthright of knowledge about our country's history," he said.

● Mr Eric Forth, the schools minister, yesterday announced that 41 local education authorities will share a total of £5.517m to improve school buildings.

750 jobs shed at three groups

About 750 jobs in ateel, engineering and ship repair faced the axe last night following announcements of cuts at British Steel Tinplate in south Wales, Bridon, the Doncaster-based wire rope group, and A & P Appledore on Tyneside, Andrew Baxter and Cbris Tighe write.

British Steel Tinplate is cutting 345 jobs by restructuring work patterns and closing older coating lines. It said about 155 jobs would go at its Ebbw Vala works in Gwent and about 190 jobs at the Trostre works near Llanelli.

A & P Appledore, the UK's largest commercial ship repairer, announced 150 shop floor redundancies at its Tyneside yards, more than halving the present hourly paid workforce.

Bridon is seeking up to 250 redundancies, initially on a voluntary basis. The move is part of a restructuring programme announced last month.

Job losses 'hit ethnic workers'

Black and Asian workers are seven times more likely to lose their jobs than white people, the Trades Union Congress says in an analysis, published today, of the government's labour force survey.

The rate of job losses among white workers was 0.5 per cent between the summers of 1992 and 1993, but for workers from ethnic minorities there was a 8.7 per cent fall.

The TUC is today bolding a demonstration in east London against racism.

Northern growth continues, says CBI

Businesses in north east England and Cumbria are continuing to see steady growth in trade, although margins remain very tight, Mr David Cranston, the Confederation of British Industry's, new northern regional chairman said yesterday.

Mr Cranston, chief executive of Northumbrian Water, said the northern economy was continuing its steady recovery, and a few companies were finding market conditions positively buoyant.

Labour attacks business strategy

Labour yesterday accused the government of neglecting important opportunities for British business presented by the rising demand for the control of industrial pollution around the world.

It called on the Department of Trade and Industry to support businesses thet provide environmental technologies.

£80,000 fines for Guinness site death

RF Winder Electrical, a Leeds auhsidiary of drinks gronp Guinness, and Mr Michael Sault, its technical engineering manager, were fined a total of £75,000 and £5,000 respectively yesterday at Harrow Crown Court for a breach of safety rules which resulted in the death of a foreman.

Mr Anthony Flaberty died in Septemher 1992 after he touched live equipment carrying 11,000 volts while installing an extension to switchgear at the Guinness Brewing Worldwide brewery in Park Royal, west London.

Missing persons bureau launched

The first police national missing persons bureau was launched yesterday at Scotland Yard. It expects to log details of about 100,000 people a year.

Mr David Veness, Metropolitan Police deputy assistant commissioner, said most of the missing people would be reunited with relatives very quickly and only about 1,600 would remain unaccounted for.

Jumpy bond markets hit M4 lending

By Philip Coggan, Economics Correspondent

Turmoil on the bond markets in February fed through to the money supply figures last month.

A £1.95bn repayment of debt hy securities dealers meant that sterling lending to the M4 private sector was just £600m on a seasonally adjusted basis, compared with market forecasts of £1.8bn. It was the second consecutive month that M4 lending was much weaker than expected and followed a lending figure of £141m in January.

The main factor behind February's weakness appears to have been the need for securities dealers to repay debt and reduce tbeir vulnerahility to further price falls in the bond market.

According to the Britisb Bankers Association, dealers borrowed £2bn in October and November, money which probably helped finance the end-of-year surge in bond prices. But prices fell sharply in February.

Mr John Shepperd, chief economist at Yamaichi International (Europe), said: "The inference (from the lending figures) is that securities houses have reduced their positions in the bond market."

The BBA reported that total sterling lending by the main British banking groups to the UK private sector fell £244m in February, following a rise of £652m in January. Consumer borrowing was a weak £38m, down from a revised £82m in January.

Lord Inchyra, director general of the BBA, said: "Overall, despite the recent cut in interest rates, there is bttle demand for funds from the corporate sector, which seems to be ohtaining any necessary funding from a combination of improved profitability and continued use of the capital markets."

The weakness of the lending figures was offset by other money supply figures yesterday.

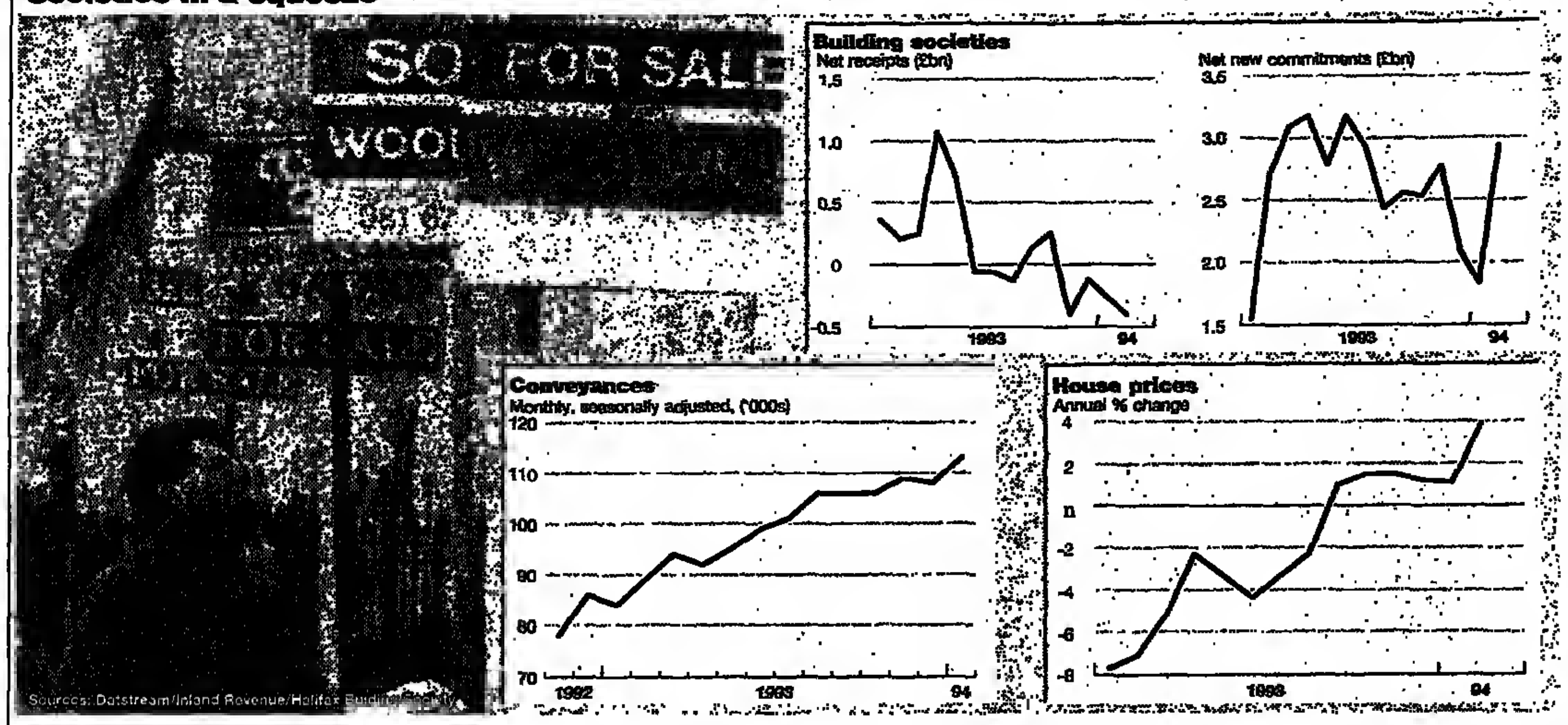
The annual growth in M4 as a whole, the broadest measure of the money supply, was 5.9 per cent, up from 5.6 per cent in January.

The monthly rise between January and February was 0.9 per cent, above analysts' expectations.

M4 has been accelerating in recent months and the annualised growth rate over the three months to February was 6.8 per cent. The government's monitoring range is 3 per cent to 9 per cent.

Mr Adrian Cooper, UK economist at James Capel, said that January's strong growth in M4 was due to special factors, particularly a large public sector borrowing requirement which was not fully funded by gilts issues.

Societies in a squeeze



Upturn has some downside for societies

By Alison Smith and Andrew Taylor

The upturn in building societies' mortgage lending is more of a mixed blessing than it might appear.

First, the good news. Net new commitments in February totalled 2.93bn, compared with 1.83bn the previous month and £2.72bn in February last year. The figure was the highest monthly total since July.

But the bad news for them is the difficulty in funding the increase in lending if they are unable to attract enough retail savings.

Last month gross mortgage lending increased to £2.24bn compared with £2.06bn in January and was 17 per cent more than the corresponding month last year.

Mortgage applications traditionally pick up at this time of year as the peak spring buying season approaches. Nonetheless the figures confirm the recent upsurge in demand reported by housebuilders and estate agents.

House sales, according to Inland Revenue conveyancing records, rose by more than a third in January compared with January last year.

Prices have also started to rise again. According to Halifax building society, the UK's largest, the average price of a home rose by 3.8 per cent to £62,498 during the 12 months to the end of January.

According to seasonally adjusted figures published by the Bank of England, there is further good news for societies, in that they seem to be regaining some of the market share they lost to banks last year.

Building societies' difficulties in attracting retail savings increases the pressure on the government to move quickly in relaxing the amount of funds that societies can raise on the wholesale markets, where funding is cheaper at the moment.

A rise in the statutory limit from 40 per cent of funds to 50 per cent is in prospect, but a change in the law is dependent on the passage of the de-regulation bill, which is still some months away.

In the meantime, Mr John Wriglesworth, societies analyst at UBS, says that in order to allow societies to compete, the Building Societies Commission, the sector's statutory regulator, should raise the regulatory limit on wholesale funding which it sets for each society, below the overall 40 per cent ceiling.

"The commission would be well advised to relax individual ratios ahead of the impending general relaxation arising from tha legislation on de-regulation," he says.

Hurd restresses stance on EU votes

By James Blitz and Ivor Owen

Mr Douglas Hurd, the foreign secretary, yesterday sought to reassure Conservatives that be would not strike an agreement on a new European Union voting system that would dilute British interests.

Addressing Conservatives in Poole last night, Mr Hurd said there was no guarantee that Britain would reach agreement with its EU partners on a new voting system when foreign ministers resumed talks on the issue oext week.

"If we are to move forward as a Unioo of 16, it should be on the basis of as widespread consent as possihle," he said. "That is the best way to avoid conflict and bickering on a permanent basis."

Be said that the British public wanted the government to exercise judgment in the interests hoth of Britain and Europe.

EU member states propose that the threshold for the "hlocking minority" shonld rise from 23 to 27 votes when four new countries enter the union next year. Britain and Spain are opposing tbis, althongh both are heing offered a compromlse that wonld allow a minnrity of states to see a two-month delay in decisions.

Meanwhile, pressure intensified on the governmeot yesterday to accept that its citizens should have a continuing right to initiate individual cases in the European Court of Human Rights.

Mr Richard Alexander, Conservative MP for Newark, in a Commons debate on the Council of Europe, warned that Britain's reputation would be damaged if the government tried to insist that it should remain a conditional rigbt, subject to review at five-yeariy intervals.

Turkey, wbose record on human rights would not commend itself to the British people, was tbe only country to bave adopted a similar attitude.

Mr Mark Lennox-Boyd, foreign office junior minister, said the UK government was still considering a suggestion that the right shonld be made mandatory.

Revenue presses on with quest for greater power

By Andrew Jack

The Inland Revenue yesterday pledged to lobby for additional powers to carry out its tax investigations after its attempt to introduce amendments in tbe finance bill failed on Thursday night.

It plans to issue a consultative document in the next few months with the aim of introducing clauses into the next finance hill to enhance its right to gain access to accountants' papers.

The decision came after the government decided on Thursday night to withdraw section 241 of the finance hill, whicb would have increased the powers of the Revenue to seize books and records. The Revenue said that it had no plans to reintroduce tbe proposals in the current bill.

Tbe withdrawal was triggered by substantial opposition to the draft legislation, including protests from Conservative politicians and from professional tax and accounting bodies.

The idea of granting the Revenue additional powers for its inspectors was mooted hy Mr Kenneth Clarke, the chancellor, in his Budget speech last November. Details were provided in January's finance bill.

The Revenue said that it needed additional powers because co-operation between it and tax practitioners had declined since the 1970s.

The draft section 241 would have permitted the Revenue to gain permission for a raid from someone authorised by one of its hoard memhers. There would have been no antomatic right for the accountant to appeal against this power.

It specified that a belief that a tax accountant knew a tax return of a client was incorrect would be sufficient to justify a raid to gain access to papers. This substantially enhanced the Revenue's ability to gain access to accountants' records.

The position was modified in guidance notes issued by the Revenue last week, which said that a board member would have to approve the raid, and that the accountant would be able to appeal.

Mr Peter Wyman, tax partner at Coopers & Lybrand, said: "If the Revenue needs additional powers they should hava them, but there must be a way to provide adequate safeguards."

Scott says Customs probe of Matrix was inadequate

By John Mason, Law Courts Correspondent

Cuatoms officials were yesterday criticised by Lord Justice Scott for failing to ask the right questions during their probe into the Matrix Cnurchill arms-to-Iraq case.

The judge, heading an inquiry into the affair, said investigators had not properly followed up allegations that officials "did not care" whether mschine tools sold to the Iraqis were used to make weapons.

Miss Annabelle Bolt, a Customs and Excise lawyer, told the inquiry that the Department of Trade and industry appeared reluctant to see the affair investigated hecause shortcomings in its operations might be revealed.

Earlier the inquiry heard how Customs continued with its prosecution of three directors of the machine-tool company in spite of concern that it might turn into another "supergun" fiasco.

Then, charges hrought over the exporting of pipes for the Iraqi supergun project were dropped after the attorney general warned Customs that the prosecutions would probably be unsuccessful.

Sir Brian Unwin, then chairman of the Customs Commissioners, wrote in a memorandum ahont the Matrix Churchill case: "To put it crudely, I don't want a repeat of the gun affair."

His note was written in December 1990, two days after he attended a meeting of civil servants to discuss newspaper allegations thet Mr Alan Clark, the former trade minister, gave Matrix Churchill "a nod and a wink" to carry on selling to Iraql munitions factories.

Insolvency priorities to include sick pay

By Andrew Jack

Holiday and sickness pay will rank as preferential creditors in the government'e emergency insolvency bill amendment to be discussed in the Commons on Monday.

According to a draft circulated yesterday they will be included as liabilities with wages, salaries and pension contributions, to be paid first from the proceeds of companies that enter receivership or administration.

Tbe legislation, which applies retrospectively from March 15, clarifies the difficulties raised following the Appeal Court ruling on Paramount Airways, the insolvent charter airline in administration. The judgment said thet recelvers and administrators would be deemed to have adopted the ohligations of existing employment contracts after 14 days if they did not issue new contracts.

After two weeks of lobbying, Mr Michael Heseltine, trade and industry secretary, announced the changes on Monday and officials have been working since to introduce the legislation.

● A private member's hill to amend sections of the 1986 insolvency act dealing with the valuation of assets of liquidated companies completed its passage through the Commons without debate yesterday.

The bill, sponsored by Mr John Butterfill, Conservative MP for Bournemonth West, now goes to the House of Lords.

Mayhew to slam Adams position

By Michael Cassell and David Owen

British ministers are preparing to exploit the St Patrick's Day call from President Bill Clinton for Sinn Féin and the IRA to accept the Downing Street declaration.

Sir Patrick Mayhew, the Northern Ireland secretary, is today expected to drive home the political advantage created by the US administration's decision to offer unequivocal support for the Anglo-Irish peace initiative.

In his first full-length speech since the IRA mortar attacks on Heathrow airport, Sir Patrick will directly attack Mr Gerry Adams, Sinn Féin president, saying that be has delivered only death and threats of death. The Northern Ireland secretary will tell Conservative activists in south-east England that the attacks at Heathrow Airport have enabled people to make up their minds about the republican leader's true intentions.

Mr Clinton made it clear at a dinnar in Washington on Thursday night that he would not authorise a repeat visa for Mr Adams to visit America until the IRA ended violence.

In another policy turnaround, he has dropped earlier controversial plans to send a "peace envoy" to Northern Ireland.

The president called on "all those who practice violence for political aims to lay down their arms". He urged Sinn Féin and the IRA to endorse the joint declaration as "the only way forward".

His remarks were backed up yesterday by Mr Albert Reynolds, the Irish prime minister, who was in Washington to join Mr Clinton for St Patrick'a Day celebrations.

He said the message of US support would have an important influence on the outcome of the initiative.

Mr Reynolds said political leaders would have to "show daring as never before, fortitude as never before, in hringing about the goal of peace".

Mr Adams, who on Thursday said the US administration could play an important role in the search for peace, yesterday attacked the British government for blocking progress. He said Downing Street's inflexible and unimaginative attitude was the major obstacle to ending the current impasse.

The fight goes on, Page 9

Government and opposition bnsiness managers are thought to be trying to resolve a continuing dispnte over membership of the Northern Ireland select committee ahead of next week's meeting of the cross-party committee of selection which will decide the MPs to sit on the new body, David Owen writes.

Labour is understood to be continuing to object to Conservative proposals which would restrict tha party's membership on the 13-seat body to two MPs. The Liberal Democrats are also thought to he objecting to the proposals, under which they would have no representation on the committee at all.

MPs voted to set up the committee earlier this month. It is expected to start work shortly after Easter.

Up to eight BZW directors break £1m earnings barrier

By Andrew Jack

Up to eight directors of Barclays de Zoete Wedd, the investment banking arm of Barclays, received remuneration of at least £1m last year, it emerged yesterday.

The highest paid was Mr David Band, chief executive, who received about £1.4m, including pension contribution, salary and substantial bonuses.

Bonus payments to directors and staff were partly routed through techniques designed to reduce and delay tax charges, which triggered discussions last year between the company and inspectors from the Inland Revenue.

About £500,000 of Mr Band's own payments are believed to have been deferred over the next three to five years.

The revelations come in the wake of substantial bonuses paid to a number of City executives including the partners of Goldman Sachs, the private US investment bank, which is believed to have generated pre-tax profits of $2.7bn (£1.84bn) last year.

BZW'e substantial payments reflect the company's success in generating profits of £501m last year, which has led to more than 6,000 employees in the company sharing bonuses totalling £100m.

Some of the details of the remuneration are revealed in the 20-F form which has just been filed with the US Securities and Exchange Commission. However, BZW refused to comment on the figures or methods of payment.

Leading tax experts said yesterday that a number of merchant banks and other companies have used tax avoidance and deferral techniques in spite of efforts by the Revenue to clamp down since the last Budget.

Ms Moira Elms, a tax partner with Coopers & Lybrand, said that employers are still able to pay bonnses in waye whicb avoid National Insurance Contributions, while income tax owed by their staff must always be paid but can be substantially delayed.

One approacb is to pay the bonuses to an insurance company, which issues life insurance policies with very sbort-term maturities.

She said she had heard of other techniques including the use of schemes operated by specialist consultancies which provided bonuses through fine wines, diamonds and "bonus bonds", or vouchers redeemable at retail outlets.

These come outside the definition of earnings as defined for the purpose of National Insurance Contributions. She aaid that the way in which bonuses are received by staff can defer their income tax liability for up to 18 months.

"There are still some loopholes which we will tell our clients about," she said. "But we warn that they will be closely scrutinised by the Revenue and are only worth doing if they are very carefully structured and there are significant numbers of employees or sizes of bonuses at stake."

Mirror cleared to buy Independent

By Raymond Snoddy

The consortium hacked by Mirror Group Newspapers was yesterday given government approval to take over Newspaper Publishing, owner of The Independent and the Independent on Sunday.

Mr Michael Heseltine, trade and industry secretary, decided not to refer the deal to the Monopolies and Mergers Commission on the grounds thet the papers "are not economic as going concerns" and there was a case for urgency.

Unless there is judged to be a serious financial threat to the existence of a title an MMC reference is usually required when the combined circulations of newspapers involved in takeovers is more than 500,000 a day.

Mr Heseltine did not, as many expected, accompany his permission with conditions.

He said: "I have concluded that the pnblic interest does not require me to stipulete conditions."

Mr David Montgomery, chief executive of MGN, emphasised thet guarantees of editorial independence were "enshrined in print in the consortium agreements and we are bound by them."

Mr Heseltine rejected the views of 99 MPs who signed an early day motion arguing that as an absolnte minimum conditions should be imposed to protect the editorial independence of The Independent.

The Commons trade and industry committee is expected to consider on Wednesday wbether to seek an inqulry into the issue.

Journalists at the two loss-making newspapers asked for the reference to the MMC and Mr Tony O'Reilly's Independent Newspapers group of Ireland, the largest shareholder in Newspaper Publishing at 29.9 per cent, wanted conditions to be imposed. Mr Heseltine also cleared its stake.

The consortium, whose other members are a group of founders led by Mr Andreas Whittam Smitb and newspeper groups El Pais of Spain and La Repubblica of Italy, will press ahead with the reorganisation of Newspaper Publishing.

MGN will become responsible for running The Independent apart from the editorial department. The Independent will join the MGN titles in the Canary Wharf tower in London'e Docklands in the next two montbs.

Apart from the reorganisation as mucb as £20m may have to be put into the company to improve editorial content and increase promotion.

Mr Whittam Smith will be chairman and editor-in-chief. There are no plans to offer board representation to Mr O'Reilly's group.

John Major addressing troops yesterday at a UN base to Bosnia. He told them that the chances for real peace had improved, indicating that more British troops may be needed, and he called on other countries for reinforcements *Press Association*

Mr Mole wants to bury TV diggers

By Raymond Snoddy

Mr Terry Cohn is trying to become a mole in the multi-million pound cable television industry.

His aim is to penetrate the cable companies and persuade them to stop digging up the streets when they lay their cable networks, often leaving unsightly "scars" behind.

His interest however is more to do with business than the urban environment. Mr Cohn is managing director of Powermole International, a company that manages to lay cables and pipes without having to dig up the streets.

"The need for trenching is a thing of the past. The alternative is not only quicker but significantly cheaper," Mr Cohn said yesterday.

The moles, already at work for British Gas, are pneumatically powered. A piston impacts against an anvil in front of the casing and propels the mole through the ground, compacting the earth as it goes. The mole, Mr Cohn says, can construct a 100 metre hole in a single stretch travelling at the rate of one metre a minute.

A cable can then either be inserted in the bole or the mole can pull the cable through as it goes.

"I am not sure why the cable industry has been hesitant to use moles rather than trenching," said Mr Cohn, pointing out that moles were used to build cable networks in both France and Germany. He hopes to be able to demonstrate bis Britisb-made machinee – which cost between £5,000 and £10,000 – to the cable industry.

Yesterday, Mr Cohn staged a demonstration for senior British Gas engineers at Sittingborne, Kent.

The mole went into an old cast iron gas pipe, smashing it as it went while et the same time pulling e new pipe behind it. Powermole International hopes it will finally make a similar impact on the cable industry.

Pressure for move on Tube lease plan

By Charles Batchelor and David Owen

A 75-strong group of London companies yesterday launched e campaign to persuade the Treasury to epprove a £740m leasing deal for new trains on London Underground's Northern Line.

As they did so Mr Michael Portillo, chief secretary to the Treasury and the Conservative party'e local election campaign co-ordinator for London, tried to pass blame for uncertainty ebout the plans to London Underground's management.

He said the government had not yet taken a view on the proposal being promoted by ABB Transportation, a rolling stock manufacturer.

Mr Steven Norris, transport minister, bad told MPs that a decision on the scheme could come within days.

Derby-based ABB Transportation has been negotiating with London Underground for the past five months to secure a 20-year deal to build, maintain and operate the rolling stock. The trains would cost £440m with a 20-year maintenance deal worth another £300m.

The Northern Line Coalition, co-ordinated by London First, a business initiative to promote the capital, put its weight behind that of Tory MPs wbose constituencies border the line.

Pressure for more flexibility from the government on the terms of its private finance initiative have also come from the leasing industry. Mr Tony Jukes, managing director of Hill Samuel Asset Finance, said one way to break the log-jam would be for the Treasury to ease the terms of leasing deals progreseively to allow the financial groups involved to gain experience of tbe rolling stock market.

"At the moment they are asking us to make too much of a leap," he said.

The issue has aseumed a high profile in the approach to local elections in May – with the government bracing itself for beavy losses in outer London.

Mr Portillo told reporters that London Underground was free to spend some of £1.5bn it was due to receive from the government over the next three years on new Northern Line trains but did not consider the investment enough of a priority to do so.

Fears over opencast guidance

By Michael Smith

Government draft guidance on opencast coal mining is likely to perpetuate the practice in areas where it is unacceptable to local communities, the Coalfield Communities Campaign pressure group said yesterday.

According to a campaign report, the government draft Mineral Planning Guidance 3 fails to give local councils adequate powers to deal with the "flood" of opencast proposals likely to follow privatisation of the coal industry.

It describes as unworkable the proposal that local councils should identify in advance the areas where opencasting could take place.

The campaign says the guidance gives no encouragement to local authorities to negotiate community benefits as compensation to residents who are affected by opencast sites.

The campaign also says that the new guidance "still introduces 'national interest' considerations in favour of opencasting". This, it says, should be deleted to avoid bias in considering opencast proposals.

The Department of the Environment said the new guidance would introduce a more environmentally conscious regime than its predecessor. It welcomed the campaign's contribution to the consultation.

Under the previous version of the guidance, issued in 1988, local councils have found it extremely difficult to resist opencast proposals that cause what they consider to be unacceptable environmental damage or nuisance to residents.

The Coalfield Communities Campaign says local authority rejections of opencast proposals have been more likely to be overturned on appeal than any other form of development.

MPs to probe committee system

By David Owen

A powerful committee of MPs is preparing to review how *Westminster's select committee* system can be made to function more effectively.

The cross-party Commons liaison committee – consisting of all the select committee chairmen – wants to conduct the review partly in response to a campaign of procedural non-co-operation with the government that Labour has been waging at Westminster since December.

Some of the chairmen are preesing for the liaison committee to cast its net wider.

They would like to see the review examine whether the select committees, parliament's most powerful tool for scrutinising the executive, need greater powers to do their job.

In particular, they want the review to consider whether there should be an automatic right for committee recommendations to be put to a Commons vote.

Since many of the chairmen believe that the committees' powers are already extensive and adequate, the scope of the review is generally expected to fall short of these demands.

It is expected to consider, however, whether more debating time needs to be set aside in the Commons to evaluate select committee reports, and whether steps need to be taken to limit the influence of party whips.

The most bad blood in the procedural battle has been provoked by Labour's decision to refuse to allow its MPs to "pair" – that is, to agree with e Tory counterpart to miss a non-crucial vote.

This has forced the cancellation of planned select committee trips to South Africa and Belize.

Doubt cast on book-pricing pact

By Raymond Snoddy

Booksellers will be warned next month by a leading publisher that the net book agreement, which governs the price of most books, may be unsustainable.

Mr Eddie Bell, executive chairman of HarperCollins, the publishing arm of the Murdoch *media* empire, will issue the warning at the annual conference of the Booksellers Associetion in Jersey.

The NBA is a voluntary agreement by publishers to sell books et tbe recommended price and not offer discounts.

Opponents say the leck of discounts cuts the number of books sold. Supporters stress the association'e role in sustaining a wide range of titles and independent bookshops.

Mr Bell, who published Lady Thatcher's eutobiography, *The Downing Street Years*, emphasised yesterday that be supported the agreement and that HarperCollins would not abandon it unilaterally.

But be feared that it was becoming unsustainable because of "the massive pressure" from the growing influence of book and warehouse clubs, who are not bound by tbe NBA. In November, the Office of Fair Trading launched a review of the NBA to see whether it still acted in the public interest.

Reed Elsevier is the only publisher to have published all its books ontside the NBA, allowing booksellers to offer discounts.

PROSCRIBED MESSAGE....

This 1940s advertisement from the archives of the Proprietary Association of Great Britain would now be illegal because of a ban on absolnte statements such as "best and safest" or suggestions that any remedy could restore "health and vigour".

The association today launches its revised rules on how members are allowed to advertise products. A ban on the use of celebrities to endorse medicines is one of the cbanges. Advertisements will also have to carry the words "always read the label" and the name of tbe medicine's active ingredient.

The association scrutinises *4,000 advertisements* a year to ensure they comply with the product licence, the Medicines Act and advertising codes of practice.

Counter sales of medicines jump 14%

By Diane Summers, Marketing Correspondent

Sales of over-tbe-counter medicines increased last year nearly 14 per cent in value terms to £1.2bn, eccording to figures today from the Proprietary Association of Great Britain, the non-prescription medicines trade association.

A significant part of tha growth, which was nearly 5 per cent in volume terms, was accounted for by the totroduction of nicotine patches and the flu epidemic at the end of 1993, said the association.

The market for anti-smoking products was worth £63m last year – an increase of nearly 200 per cent in value terms.

Skin treatments were worth £128m, up 18 per cent. Other categories showing growtb included treatments for thrush and cold sores – recent additions to the OTC market.

One significant growth area this year is likely to be indigestion remedies. Earlier this month, the decision was taken to licence Tagamet and Pepcid, *two powerful indigestion* remedies, for OTC sale. Together they represent the most important extension of the OTC market for more than a decade.

Mersey port decision attacked

By Ian Hamilton Fazey, Northern Correspondent

Merseyside Development Corporation, e government agency, bas rejected £20m plans by Mersey Docks and Harbour Company to build a floating roll-on, roll-off stage and e 27-acre freight terminal at Birkenhead to exploit growing Irish Sea trade.

The corporation bas instead named London & General Property the preferred developer of 50 acres of riverside land. It proposes e £74m scheme, including e floating stage and a 15-acre freight terminal, to be run hy an unnamed port operator. Its centrepiece is 27 acres of speculative long-term property development.

Mr Trevor Furlong, chief executive of Mersey Docks, said: "It is ebsolutely crazy handing over workable waterfront eites for this sort of development. It will constrict expansion of the Mersey as e port. We are growing rapidly and successfully. Who knows what might be needed in 10 years' time?"

A clash is likely, with each eide mobilising cross-party political support.

The dock company can stall the development as it owns part of the land London & General wants for its freight terminal – which also depends on filling in part of Wallasey Dock, over wbich the dock company has total control.

Mersey Docks' legal rights over part of the waterfront involved will enable it to charge another operator whatever it likes for its use.

Mersey Docks had rejected a master plan similar to London & General'e as impracticable, both on its own judgment and after taking soundings with the ports of Dublin and Belfast, the other principal Irish Sea trading terminals.

The crucial piece of land involved is called Twelve Quays and is opposite Liverpool Pier Head and the Albert Dock, the development corporation's flagship waterfront tourist project in Liverpool.

The corporation has wanted a visually attractive development there and once rejected a proposal for a power station at the adjacent Morpeth Dock as unsuitable, causing the resignation from its board of Professor Patrick Minford, the economist. Two previous attempts at property development tbere have failed.

The dock company wants Twelve Quays as its freight terminal. London & General wants to make it into a science park for emergent technology companies, with a student village at the adjoining Morpeth Dock and a "festival or market style" retail activity.

London & General has three months to finalise plans. Mr Furlong said Mersey Docks would welcome discussions.

Mr Peter Kilfoyle, Labour MP for Liverpool Walton, said: "Merseyside Development Corporation is irrational. The dock company has revived the Mersey as a working river and to invite a London property-company to develop e port facility on a promise of jam tomorrow is beyond belief. I shall be questioning the conduct of this quango in the House of Commons."

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Difficult decisions

Through the fog that obscures economic statistics, global economic recovery can now be discerned. The US recovery is already bathed in brightest daylight. That in the UK is little more obscure. Even the German and French recoveries are visible to the naked eye. in the case of Japan alone does the optimist need a telescope.

in the US, the question now is how swiftly monetary policy will have to be tightened. The usual mistake is to tighten too late. Mr Alan Greenspan's slow-moving Federal Reserve is more likely to err in that direction than in the opposite one.

Last month, the Federal Reserve raised short-term rates of interest from 3 to just 3¼ per cent. It could bardly have done less, although even that was enough to create an earthquake in the bond markets. In recent weeks, however, revised figures have shown the economy grew at an annual rate of 7.5 per cent in the last quarter of 1993, rather than the 5.9 per cent first reported.

Data since January have also been uniformly stronger than expected. Retail spending ia robust, despite a temporary dip in construction activity. Industrial production appears to be growing at an annual rate of 7-8 per cent this quarter. The johless rate, at 6.5 per cent, is already low.

All these statistics have fed Wall Street's rumour mill, as did Mr Greenspan's surprise meeting with President Clinton yesterday. It is widely supposed that another rise in short-term interest rates will come, maybe as soon as next week's meeting of the Federal Reserve's open market committee. So, indeed, it should. What Mr Greenspan meant by his talk of pursuing a more "neutral" monetary policy is obscure. But since short-term real interest rates are barely positive even now, US monetary policy clearly remains expansionary, which can hardly be justified.

Opposite position

If the US needs to tighten, France, Germany and Japan are in the opposite position. Japan's economy remains in recession, but its promised fiscal boost has fallen hostage to political strife. Meanwhile, the Bundesbank failed to take further action on Thursday, though in Germany, too, lower short-term interest rates would seem fully justified.

This is true even though evidence is emerging that France and Germany are recovering more strongly than expected. Retail sales in western Germany were 2 per cent higher in January than in the same month last year, while sales in the whole of Germany were up 3 per cent, 2 per cent higher than in December.

The French National Institute for Statistics and Economic Studies (INSEE) predicted growth of 0.7 per cent in the French economy in the first half of 1994, up from December's forecast of 0.5 per cent. Mr Edmond Alphandéry, the Frencb economics minster, was buoyant. "Everything is going in the right direction," he exulted. "All our forecasts are being confirmed and, day after day, statistics prove the government's scenario is realistic." No less realistic, unfortunately, is INSEE's forecast that unemployment will rise to 12.7 per cent.

On the turn

These economies are on the turn, hut not fast enough to prevent further increases in unemployment. It is easy to sympathise with complaints about European monetary policy from American officials at the jobs summit of the group of seven leading industrial countries in Detroit.

Just why the European recession has been so prolonged was explained hy the Bundesbank's president, Mr Hans Tietmeyer. He noted this week that west German inflation was set to fall below 2 per cent. But while 2 per cent is the Bundesbank's frequently stated target, it is also lower than it has achieved over the past 35 years, except in the late 1960s and again between 1986 and 1988.

In the US, monetary policy should be tightened. In Europe and Japan, it should be loosened. UK policy-makers, by contrast, face genuinely difficult dilemmas, for interest rates are approaching the floor.

Unemployment has fallen to 2¾m, but remains 9.8 per cent of the labour force. Producer prices are up only 2.4 per cent over the year, excluding food, heverages, tohacco and petroleum, hnt the underlying annual increase in average earnings has risen slightly, from 3 per cent last December to 3¼ per cent in January. Retail sales fell 0.5 per cent in February, but are still 2.5 per cent up over the year. UK monetary policy may be eased further, but the policymakers do have to be cautious.

In deciding what to do, all the monetary authorities must take account of the global fall in bond prices, which continued this week in most markets. Only a brave central bank will lower short rates when long rates are rising. For all that, the rise in long rates does not seem driven by worrying fundamentals. With luck, the world's monetary authorities will do what is needed and the G7, as a whole, will quite soon enjoy good strong growth, with low inflation.

Bosses find it's a snip at the top

FT writers examine the management shake-up transforming western companies

A senior British Telecom executive earning more than £100,000 a year might not appear to have much in common with a deputy store manager at W H Smith earning perhaps a fifth that amount. This week, though, both looked like being swept aside by the same management revolution which is brutally transforming companies across the western world.

Job cut announcements have followed a dismally regular pattern over the past few years. Arguably the significance of the latest developments – redundancy for 600 staff at W H Smith and perhaps three dozen big earners at BT – is stark evidence that both ends of tha corporate hierarchy are now being squeezed.

What BT is doing so noisily is not unheard of at the top of other organisations. Since its demerger last year, ICI has reduced the number of its senior managers below board level from 112 to 90 and expects that figure to be lower by the end of the year; BP now has only 600 managers senior enough to be entitled to share options, against 1,000 three years ago; while BET and BAT were cited this week by one management expert as businesses which have become "lean and mean at most levels".

This said, the impression remains that in the same way that some boards in the UK have avoided pay restraint by the award of big salary increases, many senior managers have so far been protected from the new realities of the executive employment market.

Report by: Tim Dickson, Christopher Lorenz and Lucy Kellaway

"When pain is inflicted, it is only natural tbat the people taking the decisions will leave themselves until last," ohserves Rupert Eales-White, principal consultant at Sundridge Park, the Kent-based management training centre.

Judging by e Mori poll published recently in the FT, more top managers fear that the day of reckoning may be at hand. Despite the fall in unemployment and signs of economic recovery, 39 per cent of those interviewed said they were "more anxious" about losing their jobs, against 28 per cent a year ago.

The revolution which may catch up with them has been under way for almost a decade, especially in the US, where radical change tends to be resisted less fiercely than in Europe. Its nature is far-reaching – transforming the way organisations do business, the way they are structured, and the relationships between managers and employees – and it is far from over.

Throughout the 20th century, large organisations have been structured on the time-hallowed military principle of "command and control". So has most management language. Top managers at "headquarters" set the "strategy", and tell their senior "subordinates" how to implement it. Strategy is then translated into "operations" hy senior managers, who tell their "direct reports" in various specialist departments – or "functions" – what to do. The cascade process continues down the corporate hierarchy until the message reaches the "front line": factory workers, shop assistants and other sales staff.

The hierarchy's role in the reverse direction has been to pass intelligence back up, level by level, from the bottom and from the outside world. As the management writer Peter Drucker has said, many middle management jobs are really about filtering information.

The command and control model has been modified in various ways over the decades, as organisations became too large and complex to manage entirely from the top. But since the early 1980s the system has broken down under a string of pressures.

● Cost. Management has become unacceptably bloated, not just at head office, but also at every level between it and the front line. In some companies this still means more than 10 tiers.

● Competition/shorter product cycles. Hierarchies have slowed down companies' speed of response. This did not matter in the 1960s, when growth was sure and predictable, and competition mainly limited to other companies from the same country, or at most the same region. Since the late 1970s, competition in one industry after another has gone rapidly international.

● Infnrmation technology. This has been a crucial influence, rendering many management jobs obsolete especially since the late 1980s. IT has cut the cost of automated information transfer and processing, making it possible for top management to communicate cheaply direct with the front line. It has also improved immeasurably the ability of people at every level and in every specialist department within an organisation to communicate across it, without going through department heads.

● Horizontal structures. The pressure for faster results has forced companies to cut the amount of vertical communication. Whole tiers of high-level committees have been replaced, usually at much lower level, hy task forces and project teams spanning departmental boundaries. This "cross-functional" drive has been reinforced over the past 18 months by the fashion for "re-engineering" the processes by which organisations do their work – at least in the front line. It has also encouraged "empowerment", the word consultants and academics use to describe how companies have been trying to give more authority to employees lower down the ladder who are closer to customers and markets. In so doing, of course, they effectively by-pass tiers of middle managers and, increasingly, senior ones as well.

● Economic recession. All the ahove pressures have heen reinforced by the slowdown which has gripped western economies in the early 1990s.

Many of these factors lie behind W H Smith's announcement this week that it is reducing the number of mangement layers in its shops from four to two (thereby requiring the 600 job cuts). "Our electronic point of sale technology has meant many functions traditionally performed by staff can now be carried

out hy a computer system," explained a Smith spokesman. The market was demanding better customer service from all retailers, while there had heen a fundamental change in the workforce. "People want more responsibillty," he claimed.

Long before the W H Smith and BT announcements were even twinkles in their chief executives' eyes, however, America's GE was demonstrating the stark reality of managerial change. Led – some would say frogmarched – by a bombastic new chief executive, Jack Welch, tbe company tore up its structure, shape and ways of doing business. Between his arrival in 1981 and the end of the decade, GE cut the average number of management layers between Welch and the very front line from nine to four. Its headquarters was slashed from 2,100 people to under 1,000. The number of senior executives across the company was cut, first from 700 to 500, and since 1990 hy another 100. The overall workforce has been almost halved, from 404,000 to 220,000. Yet GE's revenues have more than doubled since Welch arrived, from \$27bn to \$60bn.

For managers still inside GE, though, the real "story" is the revolution which has occurred in relationships across and down the organisation.

Here, the most important concept is what used to be described – in true military manner – as "the span of control": the number of people who reported to each manager. When Welch arrived, GE was running at a conventional five or six per manager. By the late 1980s its average had doubled, and is now at about 14 – with some units pushing 25 or more.

With that change has come a transformation in the way employees relate to "their" managers, and in the nature of the management process itself. Since the only way for a single person to "manage" two dozen people is to allow them more independence, management at GE has changed from being a "command and control" function to one of mainly "coaching" people, and – providing their type of task allows it – unleashing their initiative as fully as possible.

Several GE factories now have only one level of management, and a few claim to have none at all – just a collection of self-managing work teams which, within prescribed limits, make all their own decisions, from recruitment to purchasing and production levels.

The white collar revolution in the UK and the rest of Europe has yet to have such far-reaching consequences in most organisations, notably at the top. But more companies besides BT – Roger Young of the Institute of Management cites British Ges and Unilever – are starting to look at what be calls "the big numbers".

Cost is often the most visible pressure, and those who run "command and control" organisations, where middle management culling is almost complete, appear most vulnerable.

Over the past five years, for example, BT has shed 95,000 people, in one year alone losing almost 6,000 middle managers. It has reduced the numhers of levels in the company from 12 to six.

Its message is that the old guard, wbo grew up in the Civil Service johs-for-life days are no longer wanted. "Many of them have been in the company for the whole of their career. They are about ready to move on or out," says Peter Archer, director of employment relations at BT.

The effect of this new slimming-down at the top is evident et the outplacement agencies, which help find jobs for the cast-aside managers. "We are getting a great many more senior executives than two to three years ago," says Raymond Hudson of Drake Beam Morin. You notice the difference, he says, just by walking through the door; now the DBM offices are filled with senior clients each occupying their own private rooms, whereas a few years ago, middle managers were in the majority, all looking for jobs in a big open-plan space.

The ones who can adapt to newly streamlined, process-driven structures may survive; those stuck in the vertical past will almost certainly not. The grim truth for many is that economic recovery – however strong – will not provide a solution. Part-time employment may be growing and many small husinesses expanding, but senior executives do not necessarily have the right skills to take advantage of such opportunities.

As one redundant senior executive from the electronics industry observed this week: "The market is going to get much more aggressive. People are no longer just relying on headhunters and the appointments columns of newspapers. They are very deliberately targeting companies and positions where they think their skills can be useful, taking a pro-active approach."

*MAN IN THE NEWS: **Rudolf Scharping***

For a policy with whiskers

Ten days ago Mr Rudolf Scharping, leader of Germany's opposition Social Democratic Party (SPD), dragged himself from his sick-bed to return, still visibly shivering and pale, to the bustings.

It was the last week of electioneering for a new state parliament in Lower Saxony, the first poll of no fewer tban 19 in Germany this year, and be was clearly not going to miss it for a bad dose of gastric flu.

This dogged determination provided a graphic illustration of the way this serious, rather didactic career politician is tackling the election marathon ahead. He looked dreadful, hut his audiences were deligbted that be was there at all, and he managed to tell a few jokes.

His reward was a good victory for tbe SPD, which gained an absolute majority in the state – if only by one seat – and saw the rival Christian Democratic Union of Chancellor Helmut Kohl slump to its worst result since 1959.

It was not really a victory for Rudolf Scharping. The success was due more to the wily campaigning of Mr Gerhard Scbröder, bis arch-rival within the SPD, currently state premier in Lower Saxony, and tbe man he defeated for the party leadership last year. But by turning out to give him support, Mr Scharping made sure that some of the glory rubbed off on himself.

More importantly, perhaps, he managed to underline his success in forging a common front in the SPD, whose internal divisions and open arguments have undermined each previous attempt to recapture power in Bonn.

As far as public opinion is concerned, the election result was an essential first step for the SPD on the long march towards its ultimate ambition: victory for Scharping against Kohl in the general election on October 16, and a return to power for the party after 12 years in the wilderness. For the first time, the polls are suggesting that a clear majority – more than 70 per cent – expects a cbange in power.

Yesterday, Mr Scharping took a secood big step towards that goal, with the puhlication of the party's draft government programme. The document represents a clear victory for his middle-of-the-road agenda: it is deliberately cautious, low-key, and unrevolutionary, a studied attempt to reconcile the party's traditional commitment to social justice, full employment, and strict environmental standards, with a balanced budget and strict fiscal responsibility. It is above all an attempt to prove that the party is "fit for government".

"It is not a list of pious wishes, hut a practical government programme," said Mr Günter Verheugen, Mr Scharping's right-hand man as party secretary-general.

When Mr Scharping, then simply the state premier in the Rhineland-Palatinate, was elected party leader, one senior SPD official was asked why he was chosen. "Because we Germans like someone who is worthy and safe," he replied.

"He looks just like a typical scout master: trustworthy and sympathetic," according to one business observer. "The question now is: do we think a good scout master would make a good chancellor?"

He is not the sort of person who sets his audiences alight, or has them rolling in the aisles. But he has abandoned written texts for his speeches, and makes them from a handful of notes. He has a remarkable memory, according to close advisers, and can keep a whole

mass of figures in his head.

That may be part of his problem, for he still tends to blind his eudiences with science. But he is also starting to enjoy his role of the modern, youthful challenger – he is 46 – taunting the old warhorse, 63-year-old Mr Kohl.

His favourite story of the moment tells of a broadcast he had time to watch two weeks ago, lying on his sick-bed, when the chancellor was answering callers' questions.

"This man rang in to ask him what he was doing to promote investment in the new multi-media super-highways, the leading edge of new technology. But the chancellor thought he was talking about the autobahn system, and started banging on abont traffic jams and investment in the roads," Mr Scharping told a delighted eudience in Lower Saxony. "How on earth can you trust a man who doesn't know the difference?"

The SPD leader's greatest success so far bas been in stopping tba squabbling inside his own party. "For the first time in 12 years, the SPD has got a proper party leader," according to one rival CDU official. From the moment he was formally elected last June, after a grass-roots ballot of the party membership, he moved swiftly and methodically to spike potentially divisive issues.

He rapidly co-opted his other potential rival, Mr Oskar Lafontaine, by giving him responsibility for the whole field of economic and financial policy. Between the two of them, they have forged a policy which combines tax reform, to shift the burden from the lower-paid to tbe higber income gronps, with strict fiscal discipline. Mr Lafontaine has been forced to postpone his plans for a headline-catching environmental tax reform, to concentrate instead on the absolute priority of job creation. Mr Scharping does not want to scare off the business lobby.

By shifting the party to the right, he has set his face against a possible coalition with the Green party after the October election – although the latest opinion polls suggest they could have a clear majority between them. "The SPD will not be a partner in a policy which suggests petrol prices should be raised to DM5 (a fourfold increase), or the Bundeswehr should be pulled out of Nato," be said yesterday, in a firm rejection of Green party policies.

The challenge he now faces is keeping his party in line, with Mr Kohl ready to exploit the slightest sign of dissent. The CDU last month launched a big poster campaign, featuring a huge grainy close-up of the chancellor's grinning, clean-shaven face, and the slogan: "For a policy without whiskers."

It was intended to show that the neatly bearded Scharping is merely peddling the same old policies of a tired opposition. It could yet backfire. It certainly shows that the chancellor's advisers are taking their challenger seriously.

Quentin Peel

Weary, wiser, but the fight goes on

Michael Cassell tests the depth of the IRA's commitment to its campaign of violence and asks when it might end

As former IRA volunteers, Shane O'Doherty and Tommy McKearney were ready to kill for their cause and were incarcerated for their crimes. Now, they are united in wanting an end to armed struggle but adamant that the British and Irish governments' Christmas peace initiative will not deliver it.

Both men, each leavened by long spells in jail, are thoughtful, articulate and confound the caricature of block-headed warmongers painted by their opponents. Though they have left the IRA, their republican sympathies and some of their contacts survive. They dismiss as fanciful suggestions that 200 years of physical force against British "occupation" is about to end.

Neither believes the political initiative launched by London and Dublin – despite high expectations of a historic breakthrough and the peace overtures of republican party Sinn Féin – has shifted the mind-set of a paramilitary organisation hell-bent on a united Ireland.

Mr O'Doherty was the IRA's chief bomb maker in Londonderry in the early 1970s before mounting a letter bomb campaign in 1973. His one-man war maimed and injured 12 people – Mr Reginald Maudling, then Home Secretary among them. Though he killed nobody he knew he might.

He received 30 life sentences at the Old Bailey in 1976 and was freed in 1989. He is now, at 39, a pacifist, and has accused the IRA of dishonour and cowardice. Last year, he completed an English degree at Dublin University and lives in the city, regularly returning to the north to see his mother.

He deeply regrets a past which provides him with a special insight into the present state of mind of hard-line republicans and into what might lie ahead. "It was clear from the day it was published that the Downing Street declaration was going nowhere."

'We've put sticking plasters over Irish politics for centuries, and again the issues are being ducked'

The declaration, signed by Mr John Major and Irish prime minister Mr Albert Reynolds, tried to square the aspirations of Northern Ireland's two main communities by offering rights of self-determination but guaranteeing Unionists that Northern Ireland would remain part ot the UK as long as they wished.

"We've put sticking plasters over Irisb politics for centuries and once again the fundamental issues are being ducked. You cannot have two governments without proper constituencies in the north dictating solutions to a hardened, embittered double minority," says Mr O'Doherty.

So why should the IRA be able to? He concedes some IRA men have now reluctantly concluded – heresy until recently – that there will eventually have to be talks with the enemy. "But many others still don't see the British deserving talks, they see them deserving bombs, no-warning bombs." The impact of recent attacks on the mainland suggests, "the probability is that a greater part of the campaign will move to Britain".

Mr McKearnay, whose three brothers have died in terrorist violence, is no more optimistic about an end to IRA violence. He cama out of jail in 1993 after serving 15 years for the murder of a part-time soldier in the Ulster Defance Regiment, part of the UK army.

Now he is home again, living with his walcoming, elderly parents in a neat bungalow on a hillside in South Tyrone. He says the Downing Street declaration – the very title calculated, he says, to make republicans wince – has altered nothing. "This is not a sea-change. This is exactly where we were before. It is the status quo and I resent both governments suggesting anyone who rejects it must be some form of lunatic."

He adds: "The Downing Street document was a *fait accompli* guaranteeing the union for ever and a day. Forty per cent of those in tha north are annexed into a state against their will and don't want a UK connection while 50 per cent reject Dublin. We need new thinking to produce a mutually acceptable compromise."

But if new thinking is wbat is needed, more violence may be all that is on offer. "The question the IRA asks itself is how does it keep the issue in front of the British until proper negotiations take place?

Armed force: more mortars and hullets may be all the IRA has to offer Pacemaker

Bombs and bullets will not resolve the conflict but have kept the organisation in the picture."

Both men quickly expose the yawning gap in understanding between republicans and British governments of all persuasions which has fuelled the fight and in 25 years prematurely terminated 3,000 lives.

London and Dublin win almost universal domestic and international support for insisting upon a permanent cessation of violence before talks. "The IRA is expected to trust perfidious Albion? It is, in any case, arrogant to suggest the violence and terrorism is one-sided, that the IRA is the offender and the British are peacemakers," says Mr O'Doherty, who joined the IRA in protest at the 1972 Bloody Sunday killings, when 13 civilians were shot dead by British troops.

"Britain tries to hijack the moral high ground as though it has nothing to answer for. It has injured people on the streets, immunised its own murderers from prosecution and committed terrible injustices.

"There are three armed struggles in Northern Ireland involving the IRA, the loyalist paramilitaries and the British. We are all covered in blood and all carry the responsibility for the mess and for clearing it up. The IRA will not lay down its weaponry and put a questionmark over the moral value of its struggle and the sacrifices of its volunteers on the basis of the deal on offer."

'The IRA will not lay down arms and question the moral value of its struggle on the basis of this offer'

Both men believe the British government will swing on the hook of hypocrisy in its refusal to talk. "They talked to the IRA during two ceasefires in 1972 and 1974, they have been talking again in the last three years and they talked during and after the Warrington bombs," says Mr O'Doherty.

"We all know lines of communication have been open since the hunger strikes. Which is the principle at stake that has not already been breached?" asks Mr McKearney.

So what must happen, in the eyes of hardline republicans, if the anguish is ever to end? The British government will first, says Mr O'Doherty, be expected to show some humility in a declaration repenting for "centuries of injustice". At the same time, he believes, the IRA will not countenance an end to armed struggle without the repatriation and eventual release of prisoners to wbom it is unswervingly loyal.

The British government has insisted there can be no amnesty for people who are not political prisoners but simply guilty of vicious crimes. According to Mr O'Doherty: "The IRA will not have the British talk about a peace which entails the continuing retention of IRA prisoners. If the provisionals beld hostages in return, would the British claim the conditions existed for a settlement?"

Both men agree that the big failure in republican thinking is to see the British government as the only key to peace. A million unionists, acknowledges Mr O'Doherty, will not be suppressed, and they will have to be courted in the same way the British government must deal with the IRA.

Unionists have to be reassured that, in any new arrangement, their constitutional rights are guaranteed, says Mr McKearney. He suggests "something like a confederation or a unitary state or a canton which breaks the conoection with the UK but does not necessarily involve parting". Mr O'Doherty has in mind Britain and Ireland sharing sovereignty and responsibility for the north.

Such language renders unionists apoplectic and London and Dublin unmoved. The governments insist on a ceasefire, underwrite the democratic will of the majority and restate their commitment to a peace initiative which, in trying to be all things to all people, threatens to satisfy none.

The history of Northern Ireland, however, is replete with surprising ironies as well as tragedy. Both Mr McKearney and Mr O'Doherty spent several years in the same jail as the loyalist paramilitaries they ware pledged to kill. They talked and mixed and came to see other side's point of view. They even struck up friendships.

The trick is to repeat it in the world outside.

A world of difference in a grain of rice

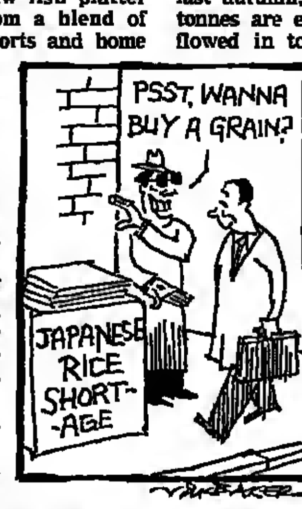
Japan thinks its rice is nicest, even when scarce, says **Emiko Terazono**

"Don't worry, it's Japanese rice." The sushi chef behind tbe white cedar counter gave a reassuring smile as be placed a slice of tuna on a small ball of rice. "We've stocked np so we won't have to use foreign rice for a while," be said.

Japan is in the middle of a rice crisis. Last year's unusually cold summer and a spate of typhoons resulted in the worst harvest in postwar history. Japan is not dne officially to open its rice market to imports, as agreed under the General Agreement on Tariffs and Trade, until next year. Bnt the government estimates 2.2m tonnes will have to be imported this year.

Bnreaucratic delays have meant stores have yet to receive such emergency snpplies. Bnt although bags of grain have gone from the supermarket shelves, many restaurateurs and retailers have managed to aqnirrel away rice snpplies.

The sushi chef looked affronted at the suggestion that the balls of rice be pnt on an assorted raw fish platter were made from a blend of emergency imports and home grown rice.



"Some snshi shops without domestic snpply routes like mine have closed," he said. It would be impossible to make sushi with a hlend of Californian and Thai rice, be said, hecanse rice accounts for 70 per cent of the dish's taste.

Snch is Japan's sensitivity about rice that Mr Eijiro Hata, the agricultural minister, had to apologise to the pnblic this month for the breakdown in the state-controlled rice market. He announced the government would speed np the sale of an additional 30,000 tonoes of domestic rice to wholesalers. But he risked exacerbating the ire of the Japanese by trying to force retailers and wholesalers to blend all rice with at least some foreign imports.

In parliament, Mr Morihiro Hosokawa, the prime minister, has been hlamed by the opposition Liberal Democratic party for failing to avert the shortage.

The political row has highlighted the sanctity of home-grown rice, the cultivation and harvesting of which remain at the roots of Japanese traditions and rituals. Whereas aircraft have long been used to sow rice seeds in the US, until recently rice seedlings in Japan were band planted. Rice-planting festivals are still held in June, inclnding at the Imperial palace in Tokyo, where a barefooted Emperor Akihito plants seedlings in his private rice paddy.

In autumn, harvested rice is offered to the gods, and sushi chefs refer to their rice as "ahari", a shortened version ofSanskrit sarira, meaning, "the bones of Buddha".

Bnt the attachment to home-grown rice is not just spiritual. Consumers prefer Japanesa rice because it is regarded as better tasting and stickier than foreign imports.

The Japanese like a sweeter and heavier grain that can, for instance, be monlded into balls.

Some are pnt off by the sight of long foreign grains. "I know I shouldn't be prejudiced and at least I should try it, bnt I feel more comfortable bnying and eating domestic rice," said Mrs Mieko Ichikawa, a 40-year-old housewife.

Among the old, with wartime memories, the latest shortages have revived a hoarding instinct: "Everyone who has experienced the war keeps extra bags of rice just in case," said 78-year-old Mrs Kyoko Kimura. At the same time, some consumer gronps have claimed foreign rice may be unsafe because of the use of post-harvest fungicides and pesticides. Press reports of dead mice, cockroaches, or cigarette butts found in foreign rire have added to such fears.

The high demand for home-grown rice together with the restricted supply have opened opportunities for retailers – as well as racketeers – to increase profit margins. Of the 7.8m tonnes of rice harvested last autumn, some 2m to 3m tonnes are estimated to have flowed in to the black market's complicated distribution web and to hava been hoarded by wholesalers and retailers. A black market in rice is not new, but this year it has been particularly buoyant.

A 10 kilogramme bag of prime grade rice which cost Y6,000 on the hlack market last year, has nearly donbled in price while some retailers are only selling to favoured customers.

The government is belatedly trying to calm the market. Leading cabinet members, many of whom had belonged to the lobby that opposed the opening of the Japanese rice market during the Uruguay Round of trade talks, recently tucked into foreign rice in front of television cameras to try to persuade the country that it was at least edible.

Bnt emergency imports of blended rice have been hard to obtain in recent weeks. Much has been delayed in the ports dne to vigorons and time-consuming cnstoms inspections by officials unused to rice being imported. Consnmers may have to wait another month for a steady flow of hlended rice to hit the shops.

Even then it is far from clear if many will eat it. Domestic farmers have tried to take advantage of the public debate over rice imports to stress the superiority of the home grown prodnct and re-emphasise their role as keepers of Japanese culture.

However, such attempts to instil in the younger generation the rice culture revered by their forebears may have fallen on deaf ears. Tastes are changing and for many modern Japanese, rice has become just another commodity amid the diversity of foods available. Sitting along the sushi counter, a mother tried to urge her sulking son to eat the morsels of raw prawns and rice in front of him. "I want McDonald's," he wailed.

Judy Dempsey explains why hopes are rising for peace in Bosnia

Endgame at the beginning

Never before in the war in the former Yugoslavia has the combination of carrots and sticks been so finely balanced. Never before have military strategists and diplomats believed that the combination could help tip the balance in favour of peace.

"For the first time, I am hopeful. But it's not yet the time to put out the flags yet. We still have a lot to do," said Mr Charles Dick, head of the Conflict Studies Research Centre based at Sandhurst Military Academy in the UK.

Some of the building blocks for peace were put in place yesterday in Washington when President Bill Clinton presided over the signing of an agreement between Bosnian Croats and Bosnian Moslems.

The accord, forged by Mr Charles Redmon, the US special envoy to the former Yugoslavia, involves the Bosnian Croats and Moslems creating a power-sharing federation in about a third of Bosnia's territory. Observers believe it is only a matter of time before the federation will form a loose union with Croatia.

President Franjo Tudjman of Croatia decided to sign up to deal for several reasons: Germany and the US had threatened to impose sanctions on Croatia; Croatian-backed forces in western Hercegovina, eastern Bosnia, had lost ground to Bosnian Moslem forces; a growing opposition to the war was emerging within Croatia. Finally, in return for peace, the US and Germany had held out prospects of financial assistance for rebuilding Croatia's economy. Mr Tudjman would have found it difficult to resist such an even division of carrots and sticks.

The predominantly Moslem Bosnian government signed on as well. Mr Haris Silajdzic, prime minister, believes Washington will supply funds to underpin the economic viability of the federation, as well as preserving its territorial integrity.

"This federation is a kind of marriage of convenience. Neither side has won the war. They believe peace is in their interests," said Mr Dick.

Implementation of the deal will require three things: substantial extra numbers of United Nations peacekeepers, above the 7,000 in place; consensus on the federation's boundaries by the Croats and Moslems; and, crucially, agreement to any redefined boundaries by the third participants in the war, the Bosnian Serbs.

This latter requirement could undermine tha deal fatally, because the Bosnian Serbs and their patron President Slobodan Milosevic of Serbia control 70 per cent of Bosnia's territory and can consolidate their grip over the gains. A Pentagon official said: "The administration is giving the semblance of preserving Bosnia. But we know we are witnessing a sophisticated division of the Bosnian republic between Croatia and Serbia."

Mr Redmon, together with Mr Vitaly Churkin, Russia's special envoy to the region, now have to turn their attention to wooing Serbia, again with a combination of carrots and sticks.

Bosnia-Hercegovina: the battle of the boundaries

The threat of air strikes, which forced Bosnian Serbs to withdraw their heavy weapons from around the besieged city of Sarajevo, remains a powerful stick.

Bnt increasingly, US and Russian officials are beginning to talk about turning the stick of sanctions against the Serbian state – in place since June 1992 – into a carrot by promising gradually to lift them. Mr Stephen Oxman, the deputy US secretary of state, this week said any moves to ease sanctions would be linked to "positive steps by the Serbs in the negotiating process". The ball is now in Serbia's court.

After waging a two-year war in the former Yugoslavia to defend Serbs living outside Serbia, Mr Milosevic must decide if now is the time to sue for peare even if it means turning his back on some of the Serbs outside Serbia.

Yesterday's Washington agreement helps him. He could argue that, since the Bosnian Croat/Moslem agreement paves the way for an eventual creation of a Greater Croatia, the Bosnian Serbs in eastern Bosnia should be allowed to form a similar loose union with Serbia proper.

Such a union would require the Bosnian Serbs to give up some of the territory they hold in Bosnia, as well as to reach agreement on the status of the Moslem-held enclaves of Gorazde, Srbrenica and Zepa in eastern Bosnia. Mr Milosevic might be able to persuade the Bosnian Serbs to cede some land to the Moslems and thereby convince the US to accept a closer relationship between eastern Bosnia and Serbia. The price for any concessions would be the removal of sanctions.

But compromises in eastern Bosnia constitute only one elemeot of a potential overall settlement in the region. The linchpin is a peace treaty between Croatia and Serbia. This, in turn, would be possible if Belgrade and Zagreb could agree on the status of Krajina, in southwestern Croatia.

Nearly 350,000 Serbs live in Krajina on rugged limestone land which has no economic worth. But its strategic location is vital: it splits Croatia in half. Reasserting control over the territory is crucial for Mr Tudjman. Without it, Croatia remains divided. The question is whether Mr Milosevic is prepared to turn his back on the Krajina Serbs whom he used in 1991 to foment war in Croatia.

"At one point, both Croatia and Serbia will have to trade land for peace," said a UN official involved in the Geneva peace talks on the former Yugoslavia.

A deal would involve Mr Tudjman granting extensive autonomy to the nationalist Krajina Serbs to persuade them to stay in Croatia. In return, he be might have to give up a swathe of Serb-held territory in Slavonia, eastern Croatia, which forms a natural link to Serbia proper.

Mr Tudjman might be able to justify this compromise to the Croats on the grounds that be would have won control of Krajina, and a potentially enlarged republic through an alliance with the new federation of Bosnian Croats and Moslems. Such an arrangement could he rewarded with the carrot of economic aid from the west.

Similarly, by turning his back on Krajina, Mr Milosevic could turn concession into victory because sanctions would gradually he lifted and his fellow Serbs in eastern Croatia and eastern Bosnia would be placed under the protection of Serbia.

"You can see the shape of this compromise," a UN official said, adding that there were many imponderables, including the question of whether the people of Bosnia could ever live together again after such brutality.

"What we are seeing is the emergence of the endgame in which Croatia and Serbia, in a strange and tragic twist of history, will get what they originally set out to attain: a Greater Croatia and a Greater Serbia, with the Moslems destined to live with Croatia, the lesser of the two devils."

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Malaysian affair: insensitivity and mistaken beliefs

From Mr Jeffrey Lenton.

Sir, As managing and marketing director of a small UK consulting company which exports technology and services around the world (including south-east Asia), I have followed the UK press coverage of the Malaysian Pergau Dam affair with a passionate interest.

I never cease to be amazed at our (the West's) ability to report and, in effect, pass judgment on the rest of the world's social and business cultures. In SE Asia, these demand a high degree of sensitivity and consideration and go hand-in-hand in all walks of life, but this is especially so in any international business negotiations. Clumsy comment, whether true or false can (as proven with the press revelations of the Pergau Dam affair) result in significant and long lasting damage to international business for UK plc.

Sir Edward Heath, appearing on a recent "Frost on Sunday" interview, succinctly summed up the situation: "With freedom comes responsibility" – a profound and accurate comment which applies equally to our valued free press as it does to society as a whole.

Mr Andrew Neil's *Sunday Times* coverage of the Pergan Dam affair has certainly increased the reader's awareness and has opened up a wound in the side of British politicians.

Meanwhile, the rest of the world is rubbing its hands in eager anticipation of securing business which could have come to UK plc.

If UK companies are to compete for and secure international business, helping exports, increasing employment opportunities and generating profits (the tax on which helps to support our national operating overheads – irrespective of the ruling political party), UK plc needs constructive not destructive support from all quarters – including the press.

The effects resulting from the handling of this affair have not been restricted to Malaysia; already other business associates of ours in SE Asia are concerned that Britain's free press can say what it likes without being concerned about trade repercussions.

The point is that our sensitive existing and potential business customers perceive it this way and this introduces yet another obstacle in securing new export business.

Jeffrey Lenton,
Management Sciences (UK),
5 The Manorgrove Centre,
Vicaraga Farm Road,
Fengate,
Peterborough PE1 5UH

From Mr A Kadir Shariff.

Sir, Dr Mahathir Bin Mohamad's letter (March 17) clearly puts the record straight on the Pergau Dam project. A soft loan granted by the British government to Malaysia has been misinterpreted by some sections of the press as an outright grant at the expense of the British public. The failure of the British government to intervene and to tell the truth has aggravated the situation.

Malaysia may be harsh in its action on the trade embargo. But what alternative course is there for a small nation like Malaysia whose views are not heard and publisbed in the so-called free press? The press in Britain should also learn to tell the truth.

A Kadir Shariff,
19 Montpelier Square,
London SW7 1JR

From Mr Sikander Latif.

Sir, Your leader, "Malaysian moves" (March 18), accuses that country'a government of attempting to rein in the freedom of the British press.

There is a mistaken belief nurtured by the western media that any reporting against the government of the day of former colonies goes down well with the natives.

Alas, were it so simple.

While welcoming any freedom of expression, the public of such countries also recalls the disdain which was shown by the same western media during their freedom struggle and their cynicism is only heightened by actions such as Star TV's desire to abandon the BBC World Service television news to China in its higher commercial interest ("Murdoch plans to axe BBC news from China satellite service", March 18).

On top of the British media tolerating such double standards, your suggestion to invoke an appeal to the EU and Ceneral Agreement on Tariffs and Trade to teach Malaysia a lesson belittles the traditions of a once great trading nation. For it is about trade is it not?

Sikander Latif,
72 Kingston House South,
Ennismore Garden,
London SW7 1NG

From Ms Jessica von Boeventer.

Sir, Tha continuing furore about the Pergau Dam still comes from the original misunderstanding of where the money for the project came from. The Malaysians do not know that the UK has specific guidelines and rules which govern our Overseas Development Administration budget, and that the question of whether these monies should have been used for Pergan is what has cansed so much upset.

If Sir Tim Lankester, as head of the ODA, advised Baroness Chalker, minister for overseas development, not to fund a dam which he said would not be of benefit to the poor and would be an abuse of ODA funds, then it was, in my opinion, time to refer the project to the Department of Trade and Industry and allow the tiny, frozen £1.8bn aid budget to be used more for the use of uplifting the poorest people in the poorest countries.

If wa untie aid and trade, then there will be no more Pergau dams from a small department which can then get on more effectively with its genuine *raison d'être.*

Jessica von Boeventer,
Frenchgrass House,
9 St Margaret's Villas,
Bradford on Avon,
Wiltshire BA15 1DU

From Mr Karl A Ziegler.

Sir, Aside from his personal attacks on Andrew Neil and his *cri-de-coeur* of a "northern" bias against non-whites, Dr Mahathir's now famous letter does point out that Britain's soft loans and aid-trade provisions are only marginally more attractive than others available to Third World rulers. How useful.

The implication is clear. Regardless of the innate appropriateness of projects, on financial, environmental or social grounds, the north continnes to sell emerging economies a bill of goods, which are primarily in the north's financial self-interest.

Should the soft financing be particularly attractive and possibly allow leeway for front-end overrides, payable to recipient country decision-makers, even totally inappropriate projects have a greater chance of acceptance.

Through Gatt, the OECD, the EU and the multilateral agencies, greater monitoring and disciplines are needed, to ensure that a level playing field is created for only truly viable projects to proceed. Should dams silt up before debt servicing is complete, it is generally from the hide of a nation's poorest citizens that final debt servicing is provided.

In such an environment, world business leaders must know that follow-up contracts become less likely.

Karl A Ziegler,
director,
Centre for Accountability and Debt Relief,
6 Bradbrook House,
Studio Place, Kinnerton Street,
London SW1X 8EL

From Mr Adam Wake.

Sir, Judging by the rather cloudy letter from the Malaysian prime minister it would seem that Dr Mahathir Mohamad is suffering under the somewhat undesirable burden that is commonly referred to as an inferiority complex. In line with the times, perhaps we could offer an even softer loan for a course of psychotherapy?

Adam Wake,
28 Gunterstone Road,
London W14 9BU

£6m fall after losses on disposal of electro-optics operations

Vinten hit by exceptional costs

By Paul Taylor

Vinten, the restructursd camera mountings and surveillance systems group, yesterday reported a decline in pre-tax profits in 1993 to £4.21m after exceptional charges totalling £10.4m – mostly related to the disposal of the lossmaking electro-optics operations.

The fall in pre-tax profits from £10.2m in 1992 came despite operating profits up 38 per cent to £15.6m. This reflected strong growth in the cora broadcast systems and photographic businesses, acquisitions and exchange rate movements, which added about £2m to profits.

Turnover grew by 21 per cent to £93.4m (£77.3m), including a £18.1m contribution from acquisitions and £3.58m from discontinued operations. Earnings per share fell to 6.1p (21.7p). Nevertheless, a 5.7p final dividend is recommended making a total of 7.8p (7p).

The broadcast systems division, strengthened by the acquisitions of Internet Videocommunications in the UK and Total Spectrum Manufacturing in the US, reported trading profits up 42 per cent to £4.49m on turnover which grew by 39 per cent to £33.8m.

In the photographic business, which now accounts for more than 50 per cent of group profits, Gruppo Manfrotto based in Italy had another strong year. Trading profits increased by 40 per cent to £8.53m on turnover up 53 per cent to £35.9m.

W Vinten also performed well lifting the surveillance systems profits by 28 per cent to £21.89m despite a 4 per cent decline in turnover to £20.1m.

Despite spending £14.2m on acquisitions – excluding the TSM ecquisition which was funded with shares – year end net debt increased by just £2.7m to £11.4m, equivalent to gearing of 44.9 per cent.

● COMMENT

Yesterday's 6p rise in Vinten's shares to 520p was well deserved and reflected market satisfaction with the group's underlying performance. The exit from the lossmaking defence-related electro-optical businesses in September was welcome. Meanwhile Vinten has made astute acquisitions in areas it knows well and which should have good growth prospects. The UK and Italian manufacturing operations should continue to benefit from soft currencies helping the group further expand its US and east Asia sales which already account for 62 per cent of the total. Pre-tax profits of about £16.5m look possible this year generating earnings of 33.4p. The shares ara trading on a forward multiple of 15.6 and look moderately cheap.

Trevor Humphries

Malcolm Baggott, chief executive (left) and Humphrey Wood, chairman: all-round growth helped operating profits rise 38%

Jonathan Agnew gets £600,000 handshake

By Norma Cohen, Investments Correspondent

Mr Jonathan Agnew, former chief executive of Kleinwort Benson, the merchant bank, received a £600,000 ex-gratia payment "following the termination of his employment", according to the company's annual report.

Mr Agnew annonnced last May that he intended to resign in tbe summer and Lord Rockley, KB chairman, said the company wonld look to replace him externally.

In explaining the payment to Mr Agnew – which exceeds the total salary and performance-related pay earned by KB's chairmen in 1993 – Mr Peter Churchill-Coleman, company secretary, said the sum was agreed by a compensation committee consisting of nooexecutive directors. It does not represent a sum due under a long-term employment contract.

"None of our directors is on a long-term contract," Mr Chnrchill-Coleman said. Contracts for directors at KB are typically three months long.

Meanwhile, a £25,000 payment was made to the bank's pension plan to enhance the pension of Mr David Peake, the former chairman who retired from full-time execntive duties in April 1993. He remains a non-executive director.

The annual report also discloses that Lord Rockley earned £303,000 in performance-related pay in addition to his salary. The chairmen's salary, which for the first four mooths of 1993 was paid to Mr Peake, was £255,000.

However, Lord Rockley was a director during that period and shared in a total of £2.6m in base salaries paid to 13 executive directors. In addition, the 13 directors shared in a pot of £2.9m in performance-related pay. The annual report says that performance-related pay to directors includes discretionary bonuses which are "not based on any fixed or formulated arrangements especially related to profits".

Shareholder groaps have called for companies to set firm criteria by which directors will earn performance-related pay.

Demand in developing markets assists Molins

By David Blackwell

Good demand for cigarette making machinery from China and other developing markets helped Molins, the tobacco and packaging group, to increase profits for 1993.

Pre-tax profits were 11 per cent ahead at £20.4m, compared with £18.3m on turnover 12 per cent higher at £203.5m (£181m).

Tobacco machinery turnover rose 15 per cent to £127.8m (£111m) for operating profits of £20.4m (£18.6m), up 10 per cent.

Mr Peter Greenwood, managing director, said the division's operating margins were down by 1 point to 16 per cent, reflecting lower demand for spares from Brazil and the US, where sales were hit by a cigarette price war. However, the volume of new machines sold and margins improved. Mr Greenwood cited the good progress of the group's Passim machinery side.

The packaging machinery division, based in the US, improved turnover by 18 per cent to £75.1m (£63.8m), but operating profits were down from £3.1m to £2.7m. Mr Greenwood said margins had been hit by heavy discounting in both the US and Europe.

In addition to packaging, Molins is seeking to diversify into food processing and packaging machinery, and has won its first order, worth £5m. This was "tangible evidence that the group is taking its knowledge and applying it to a wider customer base," said Mr Greenwood.

The group ended the year ungeared, with net cash of £3.5m, compared with gearing of 10.3 per cent and net debt of £14.7m at the end of 1992.

The pre-tax profits were also helped by a £3.3m net pension credit (£3.4m) and a fall in interest payments from £2.9m to £2m. Earnings per share were up from 41.9p to 49.7p. A final dividcnd of 10.5p (9.5p) is proposed, taking the total for the year to 15.4p (14p).

● COMMENT

Tobacco machinery remains the driving force bebind Molins, which might account for the modest rating of the stock. The group is looking for sensible ways to spread its expertise in handling delicate materials at high speed. It is being very secretive about its first order for food processing machinery, but it looks like a step in the right direction. With a strong balance sheet, the group is well-placed to take advantage of any acquisition opportunities. If it grows earnings by a further 10 per cent this year, the prospective p/e is an attractive 10. But given the group's exposure to China, it is worth keeping an eye on the Hong Kong political situation.

Scottish Amicable in European link with J Rothschild

By Alison Smith

Scottish Amicable, one of the UK's largest mutual life offices, is to set up an international life company to provide financial services in Europe, in a deal which sees its relationship with J Rothschild Assurance becoming even closer.

Scottish Amicable European will be based in Dublin, and will take on the existing 60 staff, premises and business assets of J Rothschild International Assurance.

JRIA will in effect, start again, under Mr David Beynon, who will build up a new marketing team. Mr Beynon is a former colleague of Sir Mark Weinberg, now JRA chairman, at Allied Dunbar, who joined the J Rothschild Group late last year.

The administration and some product development for JRIA will be carried out by Scottish Amicable European, in an arrangement that mirrors the relationship between Scottish Amicable and JRA in the UK.

J Rothschild Assursnce Holdings will have a 10 per cent stake in Scottish Amicable International Holdings, Scottish Amicable will have an 80 per cent stake, and the remaining 10 per cent will be owned by the management and salesforce.

Mr Roy Nicolson, ScotAm managing director, said the new venture was intended to become operational in June.

Of the total £28m initial cost ScotAm was investing £25m in development capital, of which some £1m-£2m is going towards start-up costs. In December, ScotAm raised a £100m "war chest" for acquisitions and expansion via a bond issue.

Sir Mark said the arrangement announced yesterday was "an opportunity to create two life companies for the price of ons". The two companies would share a computer system but would be able to tailor products to their own markets. Although be in competition, each company will focus on its own area of expertise.

73% public take up of MDIS

By Alan Cana

Shares in McDonnell Infnrmation Systems, the Hemel Hempstead-based computing services company, have proved harder to sell to the pnblic than to institutions.

The gronp sald yesterday that all the shares had been placed with institutions at 260p a share.

Some 25.6m of the 73.1m total had been available under clawback arrangements to satisfy pnblic applications and priority applications from eligible employees. However, only 8,585 valid applications, for 18.7m shares or 73 per cent, had been received.

The flotation, valuing the group at about £250m, is the largest in the information technology sector this year but analysts said they were not surprised by the pnblic undersubscription.

MDIS, a company which specialises in applications software and software tools, was hard to sell to a general andience. There was also a perception that the market was changing and the window of opportunity for new flotations closing.

Mr Anthony McGrath, of Baring Brothers, sponsor to the issue, said the public offering had been made in deference to Stock Exchange demands. It had always been considered a challenge for a company like MDIS.

£16m loss for Allied Leisure

By Tim Burt

Shares in Allied Leisure fell 16p to 27p yesterday after the nightclub and ten-pin bowling company announced interim pre-tax losses of £16.1m and a board shake-ont.

The company blamed the deficit, struck against a £1.2m profit last time, on restructuring provisions of £14.2m and large asset write-downs.

As part of the upheaval Mr Richard Carr, chief executive, has agreed to resign and two other directors are leaving the main board to concentrate on operational affairs.

Their departure follows a 72 per cent decline in operating profits to £592,000 in the 24 weeks to January 2.

The operating figure, achieved on flat turnover of £11.2m (£11.5m), was also depleted by £300,000 in one-off payments to ont-going directors, including £180,000 payable to Mr Carr.

Mr Damien Harte, appointed finance director last November, said: "We had to take action. The company was suffering from a combination of problems which threatened its ultimate survival."

Determined to safeguard Allied's future, he initiated the restructuring, which included £9.7m in asset write-downs, £3m to cover the disposal of lossmaking operations and a further £1.5m for further reorganisation. The company has also decided to sell its Liverpool bowling alley and close fonr clubs and bars in Dundee and Bedford, which reported a combined trading loss of £941,000.

Market uncertainty increased nfter the compsny admitted it was in breach of its banking covenants over the write-downs and provisions.

Mr Harte, however, said the group's bankers remained supportive and had agreed to a three-month moratorium on capitnl repayments of its £14.9m debt. "We expect to be able to present some structural solutions to our leaders and shareholders by the middle of the year."

Losses per share emerged at 25.2p (2.92p earnings) and the interim dividend is passed – 1p was paid previously.

The company also said Mr Carr had sold 1.5m shares yesterday – reducing his stake to 5.06 per cent – hut retained full confidence in the hoard.

Shandwick in £18.9m rights issue to cut borrowings

By Simon Davies

Shandwick, the puhlic relations company, is to raise £18.9m from a rights issue to reduce bank borrowings.

The cash call had been long-expected, and the share price reacted favourably to the news, rising 3½p to close at 59½p.

Mr Dsrmot McNulty, chisf operating officer, said that "people will now be able to focus on our business, and not our financials".

The company is proposing ths issue on a 1-for-2 basis, pitched at 45p, which is a 20 per cent discount to Thursday's closing share price. Shandwick will use £16.9m of the proceeds to reduce its £71m bank debt, directors stated.

Lending margins on Shandwick's debt were cut when it renegotiated banking facilities in January, and the banks have agreed a further reduction, upon repayment of £15m.

These lending margins will have been reduced by about 0.75 percentage points in three months, and brokers estimate thet deht servicing will he reduced by ahout £1.5m per annum, following the rights issue. Net debt will remain at about £48m following the rights issue.

Shandwick is not considering acquisitions, according to Mr McNulty, hut he added: "We are now beginning to see encouraging signs, in terms of trading in the US and UK, and we would like to be in a position to look at business opportunities."

Shandwick is paying a 0.43p interim dividend in September and a final of 0.87p, the first pay-out since 1991.

● COMMENT

It was only a question of time before Shandwick came back to the market, and while the rights issue will dilute earnings per share over the next two years, it puts the company back on a firm financial footing. Given the pricing of the rights shares, a high take-up is certain. Brokers expect pre-tax profits of £7.75m in 1993-94, putting the shares on a p/e of 13.6, allowing for the rights. Given the company's operational gearing and improving hnsiness environment, there should be longer-term upside in the share price.

Goal Petroleum falls 27%

By Peggy Hollinger

Lower production and higher tax provisions hit net profits at Goal Petroleum, the North Sea oil and gas explorer which yesterday announced a 27 per cent drop to £5.1m for the year to December 31.

Turnover fell by 4 per cent to £42.4m, due to maintenance work on two fields – Buchan and Wytch Farm. Tax rose 40 per cent to £2.8m because of changes to Petroleum Revenue Tax.

Mr David Boyd, managing director, said Goal was confident of a recovery in production. He was particularly optimistic given the 5 per cent rise in proven and prohable reserves to 41.6m barrels of oil equivalent, following recent acquisitions.

The group was keeping an eye on opportunities abroad, Mr Boyd said. Although Goal remained committed to the North Sea, eventually it would "have to go further afield". Areas of particular interest were Venezuela and Australia.

Goal spent some £15m on exploration, largely to appraise previous discoveries.

The group expected to spend about half that this year, with more investment in developing assets. "We are reflecting industry pressures," said Mr Boyd. "Money is being spent on investmsnts that are likely to make earlier returns." Such trends become more common at times of weak oil prices.

Goal finished the year with net debt of £13m, or 14 per cent of shareholders' funds. This compared with nst debt of £18.7m and gearing of 31 per cent.

The dividend was increased from 1.4p to 1.45p. Earnings fell from 5.23p to 3.79p.

0.11% acceptance for GKN offer

GKN, the engineering and industrial services group, yesterday said investors bolding 0.11 per cent of Westland's ordinary shares had accepted its offer for the helicopter manufacturer.

It has offered 290p per ordinary and preferred share, 354.8p for each convertible preferred share and 208.3p for each warrant.

Extending its closing date to April 5, the group – which controls 45 per cent of Westland – said it had received 0.02 per cent of the convertihle preference shares and 0.07 per cent take up on its warrant offer.

Christmas sales lift Fortnum & Mason

By Peggy Hollinger

Fortnum & Mason food fans helped the London department store to an increase in sales and pre-tax profits for the 28 weeks ended January 22 1994.

A better-than-expected rise in Christmas catalogue sales – the wishbook of tbe famous Fortnum's hamper – helped boost operating profits by 21 per cent to £1.4m, on sales 10 per cent ahead to £17.2m. A drop in interest recelvable, however, held back the advance at the pre-tax level and left the figure at £1.6m, compared with £1.5m.

Earnings per share rose from 235p to 249p, whils the the net interim dividend was maintained at 86p.

Fortnum's, which is 89 per cent owned hy George Weston Holdings, had net cash of £7m. This would fall after the purchase of a long leasehold for £1.75m.

Ths company warned thst the outlook for the second half remained uncertain. Trading continued to be huoyant, hut the vast majority of Fortnum's profits were traditionally made in the first half.

Anglian Grp shares slip 10%

By Tim Burt

A warning yesterday from Anglian Group that full year profits were unlikely to meet market expectations prompted a 10 per cent fall in the double glazing company's share price to 287p.

The Norwich-based group has been hit by a fall-off in orders following the privatisation of the Property Services Agency, which represented 75 per cent of its commercial business, and increased research and development expenditure.

Mr David Herman, group finance director, said: "Trading in the commercial division has been disappointing. Both turnover and margins havs suffered." Ha claimed, however, that the 28p fall in the share price was "totally unjustified".

Although Anglian admitted that orders placed by the PSA's successors were negligible, it said that its retail business had picked up and it had won new commercial business from local authorities.

"Business is now heing placed solely on price rather than quality," said Mr Herman.

Following his statement, analysts downgraded full year profit forecasts by 6 per cent to £25m.

Sirdar ahead in spite of yarns' losses

By David Blackwell

Sirdar, the textile group, lifted interim pre-tax profits in spite of operating losses of £541,000 in its hand-knitting and machine yarns division.

Profits for the six months to end December were £2.81m, up from a previous £2.67m. Total turnover edged ahead from £27.1m to £27.6m.

The losses on yarns were incurred on turnover down from £11.2m to £10.1m and compares with previous profits of £86,000.

Mr Gerry Lumb, chairman and managing director, said the company was responding to a lack of volume in the hand-knitting market by switching its emphasis to machine yarns.

Othsr textile products improved operating profits from £2.81m to £3.37m. This division, comprising Eversure ready-made curtains and Burmatex floor coverings, had achieved good results in difficult markets, said Mr Lumb.

The group's share of profits from its 50 per cent stake in Acropolis Hotels fell from £158,000 to £128,000.

Interest payable fell from £380,000 to £156,000, and the tax charge eased to £975,000 (£1m).

Earnings per share wera ahead at 3.41p (3.12p), while the interim dividend is increased from 1.65p to 1.72p.

Exceptional boosts Perry to £5.16m

Exceptional profits on a property sale of £1.85m, against restructuring costs of £3.28m, enabled Perry Group, the motor dealer and repairer, to report 1993 profits of £5.16m pre-tax compared with losses of £3.22m.

Mr Richard Allan, chairman, said the year saw a recovery in profits on the sale of new and used cars resulting in their share of group profits rising from 13 per ceot to 27 per cent.

He added that the first two months of the present year had shown a significant improvement on the comparable period. "Despite the continuing uncertainty over the strength of the economic recovery I believe that 1994 will prove a year of good progress."

Turnovsr improved to £311.3m (£289.3m). Interest charges fell to £1.88m (£3.04m). Year-end cash balances were £2m. The company raised a net £9.6m by a rights issue in September.

Earnings per share were 18.2p (losses 14.7p). A final dividend of 4.25p is recommended for a total of 7p (6p).

Sherwood warning

By David Blackwell

Shares in Sherwood Group, the Nottingham-based lace, lingerie and socks maker, fell 19p to 151p yesterday after the directors warned that 1993 profits would be hit by tough trading conditions in Europe.

The group, which relies on overseas sales for about half its turnover, said the adverse effect would not exceed £1.3m.

Pre-tax profits for the year, to be announced on March 28, are not likely to be below £18.4m.

The directors expect to increase the final dividend to 1.9p, giving 2.9p (2.6p) for the full year.

In 1992, pre-tax profits were £16.9m on turnover of £143.5m.

Sherwood said conditions in Europe had continued to deteriorate in the last quarter, particularly hitting the Dutch and German lace operations of Dentex. The managing director of Dentex had resigned, and a restructuring plan was being put in place.

In addition, greater than expected losses wera incurred on the closure of its German curtain operation.

Davenport Vernon sees decline

Shares in Davenport Vernon, the multi-franchise motor group, plunged 20p to 182p yesterday, after Mr Ralph Denne, the chairman warned yesterday that profits for the six months to March 31 would be significantly below those for the same period last year.

Mr Denne told the annual meeting that despite an overall rise in group sales of both new and used vehicles, there had been a falling profit contribution from the Japanese and Volkswagen Audi franchises. This followed manufacturers' changes in trading margins and honus arrangements.

In addition, the five new dealerships which began trading in 1993 had produced losses during their start up periods.

The chairman said that the group was re-aligning costs to meet current conditions and, with a good performance from its volume franchises, he anticipated "a return to normal levels of profitability in the second half".

Pre-tax profits in the year ended September 30 1993 were up 29 per cent to £2.11m.

McCarthy & Stone calls for £15.5m and forecasts reduced interim losses

By Andrew Taylor, Construction Correspondent

McCarthy & Stone, Britain's biggest builder of retirement homes, yesterday announced a £15.5m rights issue to reduce borrowings and buy land.

The company also is proposing to cancel £2.63m of dividend arrears owed to cumulative preference shareholders who are being offered a scrip issue of one oew preference share for every 5.509 preference shares already held.

McCarthy ssid that in the present circumstances it would be unlikely "to pay off these arrears for some considerable time".

The rights issue of 28m shares is on the basis of 2-for-5 at 58p. The shares rose 1p to 73p following the announcement.

McCarthy, which is experiencing an upturn in demand, expects losses before tax and exceptionals for the six months to end-February to fall from £5.7m to no more than £1.3m. The average price for its homes has riseo from £56,600 to £64,500 during the past 12 months.

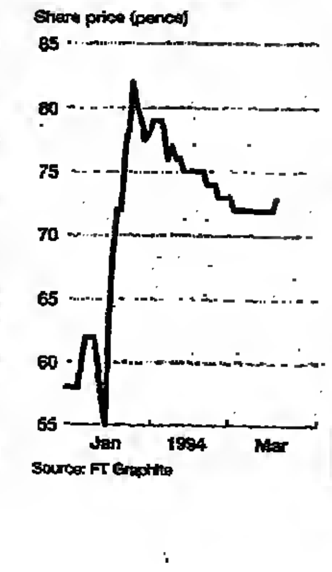
McCarthy said it intended to resume payments of preference dividends following publication of results for the year to August 31, depending on a further revision of banking facilities.

Tha issue is underwritten by NatWest Markets Corporate Finance.

● COMMENT

This looks like a further refinancing given the admission that the company would be unable to pay off arrears without a scrip issue. An early resumption of preference dividends, moreover, looks dependent on a successful rights. On the other hand, most of the group's competitors bave dissppeared from a market which will command higher margins than general housebuilding as it recovers. At the rights issue price the group remains on a p/e of 25 on 1994-95 pre-tax profits of £4.8m, which may not be announced for 18 months. Shareholders probably have little choice other than to take up their rights hut should not huy in the market.

McCarthy & Stone



Source: FT Graphite

Borthwicks issues trading statement

Borthwicks, the natural flavours company, said its results for the year to March would be affected by the problems experienced by its US company, start-up costs at F&C Hong Kong and the cost of renaming its flavours companies worldwide.

Otherwise, group trading had been in line with expectations, with sales 10 per cent ahead of this time last year.

The shares slipped 2p to 53½p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Leisure	int	nil	-	1	-	3
Arcolectric	fin	0.66	May 17	0.55	1.215	1.11
Exeter Preferred	fin	0.68☆	Apr 29	0.94	0.68	0.94
Fortnum & Mason	int	86	-	86	-	100
Goal Petroleum	fin	1.45	May 17	1.4	1.45	1.4
Molins	fin	10.5	May 24	9.5	15.4	14
Perry	fin	4.25†	July 1	3.25	7	6
Sirdar	int	1.72	May 9	1.65	-	5.35
Vinten	fin	5.7	July 1	5.1	7.8†	7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Amended.

Exports spark Arcolectric rise

Higher exports helped Arcolectric Holdings, the electrical and electronic components supplier, achieve 1993 pre-tax profits of £403,000, against £105,000.

Turnover improved to £11.8m (£10.8m). Earnings per share cama out at 5.57p (2.13p). A final dividend of 0.66p is proposed for a total of 1.215p (1.11p).

INTERNATIONAL COMPANIES AND FINANCE

Upbeat Bayer forecasts 20% profits advance

By Christopher Parkes in Leverkusen

Bayer, the chemicals and drugs group, yesterday brightened the German results season with a confident forecast of profits up to 20 per cent higher in the current year.

Mr Manfred Schneider, chairman, said the board had been surprised by the strength of the recent recovery. Sales and earnings had been rising since October, he said.

Turnover had increased 6.5 per cent to almost DM7bn ($4.2bn) in the first two months of the current year, and operating earnings had improved considerably. This followed a 6 per cent rise in sales and an 18 per cent surge in pre-tax earnings in the final quarter of 1993, he said.

Mr Schneider credited the group's restructuring and cost-cutting measures with most of the advance, although better exchange rates and the North American recovery had helped.

On the debit side, business had continued shrinking in Germany, although sales were down only 1 per cent after two months, compared with a slump of more than 10 per cent in the same period of 1993. A domestic recovery was not expected before the second half of the year, he added.

Prices remained "absolutely unsatisfactory", and he saw little prospect of increases this year.

Forecasting a pre-tax earnings increase of between 15 and 20 per cent after last year's record low of DM1.14bn, Mr Schneider said most of the gains would be achieved "mainly by our own strength".

Further strengthening measures were to follow restructuring and rationalisation, which had reduced fixed costs by DM1.5bn in the past three years.

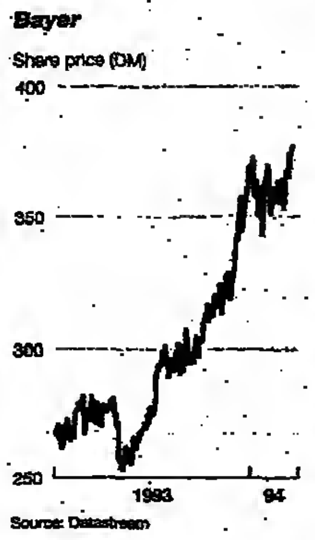
More marketing power and other synergies were expected from the impending merger of the consumer and self-medication products divisions.

Bayer had set itself the goal of ending losses in its textile dyes business this year. All manufacturers were faced with the question of whether Europe was the right place to make such products, he said.

Plant protection, another problem sector, was also on the list for treatment. The recent merger of Hoechst and Schering's activities in this field was a "first step", Mr Schneider noted.

He gave the spin-off of the fibres businesses into Bayer Faser, with reduced payroll costs and manufacturing capacity, as one example of action designed to foster a lasting turnround in a business which had been losing money "for years and years".

The group had reduced its payroll by 4,500 last year, and a further 2,100 jobs were to be lost in the current period – all in Germany.



AT&T hits impasse in Energis negotiations

By Andrew Adonis and Michael Smith

Negotiations between AT&T, the US telecoms group, and Energis, the UK's third long-distance telecoms carrier, have reached a stalemate. The impasse puts AT&T's ambitions to enter the UK market on hold.

AT&T, which has a UK licence application pending, was in talks to take a one-third stake in Energis, a subsidiary of the UK's National Grid Company, which is erecting a long-distance network across Britain using the NGC's electricity pylons.

Energis offered AT&T the chance of by-passing a long regulatory process to gain access to the UK. Energis looked to AT&T for a powerful brand name and additional funding to complete its network.

However, the talks appear to have foundered on the valuation of Energis. According to a consultant, Energis was holding out for a valuation AT&T regarded as "wholly unrealistic".

National Grid is owned jointly by the 12 privatised regional electricity companies in England and Wales. The chairman of one company said: "There was a big price difference and we have separated, but are keeping in touch."

Energis argued that the low cost of its infrastructure compared to that of rival operators, British Telecommunications and Mercury, gave it a structural cost advantage. However, AT&T took a more conservative view, believing the established UK operators had significant room to cut their existing cost base.

The breakdown underlines AT&T's problems in gaining access to the European telecoms market ahead of the EU's liberalisation of voice services in 1998. Its talks with France Telecom and Deutsche Telekom for a strategic alliance are also stalled, and the European Commission has yet to agree the terms under which new operators can enter the EU.

Commerzbank reveals 3% holding in floated BCI

David Waller in Frankfurt and John Simkins in Milan

Commerzbank, the smallest of Germany's big three private-sector commercial banks, said yesterday it had bought a 3 per cent stake in Banca Commerciale Italiana, the newly-privatised Italian bank.

The German institution said it had recently been asked by BCI to take a shareholding, which it bought on the stock market at an undisclosed price.

The move comes amid growing belief that institutions close to Mediobanca, the Milan-based merchant bank, have accumulated a combined holding of up to 20 per cent in BCI, which ranks among the top six Italian banks in terms of assets. Such a stake would give the group a powerful argument for a seat on the board.

Commerzbank, which recently formed commercial links with another privatised bank, Credito Italiano, said the BCI stake was a strategic move to intensify operations in Italy. Besides Commerzbank, the other two institutions with declared holdings close to 3 per cent, the maximum voting power of any one shareholder, are Paribas, and Generali, Italy's largest insurance company.

BCI, which is a Paribas shareholder, has 8 per cent of Mediobanca, which is a major shareholder in Generali.

The pattern of ownership will not become apparent, however, until the bank holds its first shareholders' meeting as a public company. This is expected by the end of April.

The jockeying for position within the bank has pitted the Mediobanca allies against Mr Romano Prodi, chairman of the state holding company IRI, which disposed of its entire 54 per cent stake in BCI through a public offer and a private placement.

Mr Prodi's wishes for a wide spread of ownership resulted in a clawback in favour of private investors. There were also complaints from Italian unit trusts that the allocation had not favoured them, suggesting a considerable placement with foreign investors, out of Mediobanca's reach.

French group lifts US stake

By John Ridding in Paris

Compagnie Générale des Eaux, the French utilities and industrial group, said yesterday it has agreed to raise its stake in Air & Water Technology of the US from 23 per cent to 40 per cent.

As a result, it will hold 48 per cent of the voting rights of the US company, which specialises in the treatment of water and the reduction of air pollution, and has annual sales of about $630m.

The French group described the move as "an important step in its strategy of expanding in the US in areas of strong growth". It already achieves annual sales of about FFr5.5bn ($954m) in the US market.

Under the terms of the agreement, Générale des Eaux will exchange its wholly-owned subsidiary, Professional Services Group, for 6.5m new Air & Water shares. The French group will also subscribe to a private placement share issue with a priority dividend, and an issue of ordinary shares in the US group.

Metallgesellschaft plans action against sacked chief

By David Waller

The supervisory board of Metallgesellschaft said yesterday it would take legal steps to seek damages against Mr Heinz Schimmelbusch, the sacked chief executive of the Frankfurt-based metals, mining and industrial group. It will also take action against Mr Meinhard Forster, the former finance director.

The supervisory board said the move followed an independent report into the events leading to the near collapse of the group – Germany's 14th largest industrial company – commissioned in December and conducted by Wollert-Elmendorff Deutsche Industrie Treuhand, an accountancy firm.

Mr Schimmelbusch is being investigated by the Frankfurt prosecutor's office for failing to keep the supervisory board informed as required under German law. He has twice publicly denied responsibility for the debacle, and said he will take all steps to defend his reputation.

The report, examined by Metallgesellschaft's supervisory board on March 11, focused mainly on the oil futures trading activities of MG Corp, Metallgesellschaft's New York-based trading subsidiary, which gave rise to losses of DM2.3bn ($1.4bn) and drove the group to the brink of bankruptcy.

MG Corp's oils futures commitments increased eightfold to 160m barrels during the 1992-93 financial year. The report, an abridged version of which was published yesterday, concluded that:

- Mr Forster, the former finance director, was aware of the growing risks associated with the oil futures business from the summer of last year. Other members of the group's management board – including Mr Schimmelbusch – regularly received documents showing the rising scale of unrealised gains and realised losses.

The information given to the board as a whole, however, was deficient in relation to the seriousness of the business risks.

- MG Corp's accounts, prepared according to US Generally Accepted Accounting Principles (US GAAP), provided a flattering picture of business development at the company. Had they been prepared according to German rules, profits from MG Corp would have been considerably lower than reported.
- The supervisory board was not correctly informed of developments at MG Corp.
- Dealings between MG Corp and Castle Corporation, an oil refining company with which MG Corp had a tangled business relationship, were skewed to the benefit of Castle. In November 1993, MG Corp's investment in Castle, a former shell company, totalled $500m. Three senior MG Corp executives were directors of Castle; MG Corp executives owned 3.9 per cent of the shares in Castle in November last year.

The supervisory board said the report supported its argument that it was misled by Mr Schimmelbusch and Mr Forster.

Air clears around Bugatti

Cash call plans are forcing the carmaker into the open, writes Kevin Done

Bugatti International, which last year took over Group Lotus, the UK sports car maker and automotive engineering consultancy from General Motors, is seeking outside finance to fund the next stage of its ambitious expansion plan.

Ownership of the Luxembourg-registered company has been a mystery since it was formed in the late-1980s to revive the famous pre-war racing marque. The veil of secrecy is being lifted, however, as it prepares to bring in outside investors.

The company claims it is 100 per cent-owned by the Artioli family led by Mr Romano Artioli, a 61-year-old Italian entrepreneur, who for a decade held the distribution franchise for Ferrari in the lucrative regions of north-east Italy and southern Germany. This relationship ended in 1988.

Mr Artioli holds the importer/distributorship for Suzuki vehicles in Italy, and controls a separate holding company, Fisico, with interests in vehicle retailing, import/distribution and components.

Mr Mario Barbieri, vice-chairman of Bugatti Automobili, said the Artioli family had a combined annual turnover of more than L300bn ($179m). Fisico also held a 20 per cent stake in the Monfalcone car terminal, a port development near Trieste, which opened last autumn to develop car transport between southern Europe and east Asia.

When Bugatti International emerged last summer as the buyer of Group Lotus it admitted only that Mr Artioli held an 18 per cent stake in Bugatti Automobili, the car division, which has built a factory at Campogalliano, near Modena, to assemble the £200,000 Bugatti EB110 supercar. The balance in the car operation was owned by Bugatti International.

Some big French corporations – including Michelin, Elf Aquitaine and Aerospatiale – collaborated in the development of the 212mph EB110, and there was some indication they might have backed the venture financially. Officially, however, the shareholders remained anonymous.

The company said this week Mr Artioli had been the majority shareholder in Bugatti International, the master company, from the outset in 1987. Artioli family holdings now had 100 per cent of the equity.

Wild rumours have swirled around the European auto industry about the ownership of Bugatti since late-1991, when the EB110 was first unveiled. Reality was lost in talk about the sums of money being pumped into the development of the 550bhp supercar, built to outperform rivals from Ferrari, Jaguar and Lamborghini.

The company is now trying to clear the air ahead of a partial public flotation or a private placement of shares. CS First Boston has been taken on board as financial adviser, and Price Waterhouse has been appointed auditor for both the Italian and UK businesses.

Lotus, which was forced to stop production of its Elan sports car in 1992 because of heavy losses, is now working on an ambitious product development programme.

Engineering contracts were being won from leading vehicle makers that had previously been unwilling to use Lotus under GM ownership because of fears over confidentiality, said Mr Barbieri.

According to Bugatti, Group Lotus had a turnover of $53m last year. It suffered a loss of $6.4m in the first eight months under GM ownership.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for trading on 19.03.94: Pool purchase price £/MWh	Final Prices for trading on 18.03.94: Pool purchase price £/MWh	Final Prices for trading on 18.03.94: Pool selling price £/MWh
0030	15.79	17.00	17.00
0100	15.71	29.79	31.61
0130	16.21	29.79	31.61
0200	16.77	29.79	31.61
0230	14.97	29.79	31.61
0300	13.43	19.37	21.19
0330	13.43	19.37	21.10
0400	16.57	18.81	20.63
0430	10.89	17.10	17.10
0500	10.89	16.98	16.98
0530	10.29	16.79	16.79
0600	10.89	16.79	16.79
0630	10.95	16.79	16.79
0700	10.95	17.75	19.57
0730	10.95	16.79	16.79
0800	10.95	16.79	16.78
0830	13.47	16.78	16.78
0900	15.31	16.99	20.81
0930	16.55	18.93	21.75
1000	16.55	22.30	24.12
1030	16.55	22.30	24.12
1100	16.55	22.30	24.12
1130	15.76	22.30	24.12
1200	15.38	22.30	24.12
1230	16.38	19.93	21.75
1300	13.47	19.83	21.65
1330	15.68	19.29	21.11
1400	15.65	16.85	16.85
1430	10.95	16.79	16.79
1500	10.86	16.77	16.77
1530	10.83	16.75	16.75
1600	10.83	16.72	16.72
1630	10.84	16.75	16.75
1700	10.98	16.79	16.79
1730	15.57	19.83	21.65
1800	13.47	28.32	30.14
1830	16.09	28.32	30.14
1900	17.88	28.32	30.14
1930	19.78	22.31	24.13
2000	19.78	22.31	24.13
2030	17.85	21.18	23.00
2100	16.55	19.72	21.54
2130	13.47	19.29	21.11
2200	13.47	16.77	16.77
2230	15.55	16.72	16.72
2300	10.95	16.70	16.70
2330	10.89	16.64	16.64
2400	10.83	16.60	16.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed on [illegible] information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.
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COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Aluminium and copper hit peaks

The London Metal Exchange aluminium and copper markets fed off each other's strength this week as they surged respectively to 20-month and 8½-month peaks.

Helped by constructive technical factors the three months delivery aluminium price broke resistance at $1,320 a tonne in mid-week, triggering heavy stop-loss buying. The price moved on to $1,353 yesterday morning on speculative and physical buying, but then ran into profit-taking and European trade house sales, which took it down to $1,346.50 at the close, up $9.50 on the day and $47 on the week.

Traders thought the market's bull trend remained intact, however. "It will take a brave man to go short ahead of the weekend," one dealer told the Reuter news agency.

Copper's peak came on Thursday, when tha three months position touched $1,985 a tonne. Traders attributed the rise to bullish charts, an improving supply/demand balance, a shortage of good quality metal and expectations of another big fall in LME warehouse stocks. The anticipated stocks fall was duely announced yesterday morning and the price, which had retreated to $1,965.50 by Thursday's close, rose to $1,970. The heavy selling that had hit the market late on Thursday then reappeared, however, and by the close the price had edged back to $1,968.50 a tonne, up $3 on the day and $38.75 up on the week.

Precious metals were on the retreat for most of the week before gold led a late rally yesterday.

The yellow metal regained $3.05 of the $3.85 it had lost over the preceding four days to end at $386.20 a troy ounce. "Yesterday everybody was bearish at $382, now everybody is bullish at $386," one dealer said. "We may be seeing people taking out a bit of insurance against incidents in South Africa over the weekend," suggested another.

The platinum price, which had been lifted in response to the unrest in the homeland of Bophutbatswana, which accounts for 30 per cent of South Africa's production of the metal, weakened on the easing of tension before rallying with gold. It was fixed yesterday afternoon at $400.40 an ounce, up $1.55 on the day but still $3.35 down on the week.

At the London Commodity Exchange coffee futures climbed to the highest levels since the launch of the dollar contract three years ago.

Monday's news that the US Department of Agriculture had cut its forecast for the 1994-95 Brazilian crop from 24.3m bags (60kg each) to 23.5m helped the May contract to break through the $1,300-a-tonne barrier on Monday and investors were encouraged by the market's ability to hold comfortably above that level over the next few days in spite of bouts of profit taking. Investment fund and trade buyers returned in force on Thursday, lifting the May price to $1,340 a tonne at one stage. It dipped to $1,315 yesterday morning but by the close was trading at $1,331, up $56 on the week.

Cocoa futures also chalked up good gains before producer selling was attracted late in the week. The May price climbed to £985 a tonne on Thursday morning but ended yesterday at £953, up £27 on balance. Traders said that the market was continuing to attract selling from West African producers and, in the absence of buying interest from the investment funds, this was weighing down prices. They noted, however, that good support was likely in the $948-950 range.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+9,850	to 2,599,775
Aluminium alloy	+280	to 45,900
Copper	-11,525	to 520,825
Lead	-225	to 332,100
Nickel	+918	to 135,846
Zinc	+10,300	to 1,083,450
Tin	+110	to 23,380

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1993/1994 High	1993/1994 Low
Gold per troy oz.	$386.20	-0.80	$331.45	$405.75	$326.05
Silver per troy oz	383.50p	+3.0	246.50p	386.00p	236.00p
Aluminium 99.7% (cash)	$1323.5	+46.5	$1148.5	$1323.50	$1023.50
Copper Grade A (cash)	$1957	+44	$1459.5	$2375.00	$1108.50
Lead (cash)	$466.0	+13.0	$272.0	$510.50	$361.60
Nickel (cash)	$5725.0	+165.0	$5947.5	$6340	$4043.5
Zinc SHG (cash)	$956.0	+17.5	$996.5	$1112	$868.0
Tin (cash)	$5645.0	+150	$5765.0	$6047.5	$4340.0
Cocoa Futures May	£954	+28	£697.0	£1061	£663
Coffee Futures May	$1332	+57	$860.0	$1332	$836
Sugar (LDP Raw)	$294.0	+4.0	$282.5	$317.4	$204.5
Barley Futures May	£105.25	-0.45	£138.50	£110.30	£101.50
Wheat Futures May	£106.60	+0.10	£142.65	£149.45	£97.20
Cotton Outlook A Index	81.20c	-0.75	62.80c	82.60c	54.15c
Wool (64s Super)	390p	+3	387p	403p	319p
Oil (Brent Blend)	$13.64x		$18.80	$19.53	$13.25

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x May.

SOFTS (extract)

Oct	74.05	-0.86	74.40	73.60	2,452	444
Dec	71.55	-0.75	71.90	71.30	13,501	1,121
Mar	72.57	-0.64	72.80	72.10	590	3
May	73.25	-0.52	73.25	73.06	191	6
Total					52,828	6,770

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	109.10	-0.55	110.00	108.50	115	149
May	111.40	-0.75	112.15	110.75	8,768	560
Jul	113.90	-0.60	114.75	113.50	5,412	189
Sep	116.10	-0.65	116.75	115.60	2,046	31
Nov	114.45	-0.95	114.75	114.40	1,270	12
Jan	114.95	-0.50	115.45	114.50	1,648	9
Total					19,438	952

FREIGHT (extract)

May	1268	+16	1270	1252	403	50
Jul	1154	+8	1154	1145	596	66
Oct	1284	+8	1284	1270	241	9
Jan	1340	+10	1345	1330	74	2
Total					2,735	480

	Close	Prev
BFI	1140	138

SPICES
Nutmeg and mace prices increased in Indonesia after the end of Ramadan, reports Man Producten. BWP was quoted at US$1,550 a tonne, with shrivels at $1,750, ABCD $1,850 and mace $2,800, all ex warehouse. Grenada mace No. 2 was fetching $2,700 a tonne, cif, for May/June shipment. No. 1 was unavailable. West Indian suns were at $1,850 a tonne and guns at $1,750 for April shipment. Indonesian cassia prices were slightly lower KA/VA sticks were at $2,300 a tonne, spot, and $2,160 shipment; KB BR/CL $1,725, spot, and $1,500 shipment. Madagascan cinnamon was quoted at FFr6.50 a pound, while Seychelles offerings were fetching $1,450, cif. Mexican pimento prices were unchanged at $2,000, spot, and $2,750 for shipment. Jamaican pimento was at $2,200, spot, and $2,100 shipment, cif.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 18	Mar 17	month ago	year ago
1831.9	1830.3	1792.7	1755.8

■ CRB Futures (Base: 4/9/56=100)

Mar 17	Mar 10	month ago	year ago
228.22	229.87	226.88	211.70

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	113.9600	-0.220	7.25	7.27	6.38
Belgium		7.250	04/04	100.2000	-0.820	7.22	7.10	6.78
Canada *		6.500	06/04	93.3500	-0.450	7.44	7.57	0.69
Denmark		7.000	12/04	101.4500	-1.300	6.80	6.62	9.34
France	BTAN	9.000	05/98	107.5000	-0.520	6.76	5.70	5.42
	OAT	5.500	04/04	93.6300	-0.670	6.37	6.38	5.95
Germany		6.000	09/03	98.0900	-1.060	6.27	6.31	5.69
Italy		8.500	01/04	94.6400	-1.260	9.34†	9.23	8.60
Japan	No 118	4.800	06/99	105.6810	-	3.62	3.63	2.95
	No 157	4.500	06/03	102.6820	-0.970	4.10	3.94	3.50
Netherlands		5.750	01/04	95.6200	-0.940	6.36	6.27	5.09
Spain		10.500	10/03	110.1500	-0.800	8.97	9.94	8.04
UK Gilts		8.000	06/99	96-19	-15/32	6.78	6.65	5.94
		6.750	11/04	95-21	-17/32	1.41	7.30	6.51
		9.000	10/08	112-19	-32/32	7.66	7.40	6.82
US Treasury *		5.875	02/04	95-26	-20/32	6.45	6.53	5.93
		6.250	08/23	92-03	-25/32	8.88	7.00	6.48
ECU (French Govt)		6.000	04/04	94.1200	-1.290	8.82	8.61	8.19

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Mr Morihiro Hosokawa, prime minister of Japan, visits China. Organisation of African Unity meets in Harare.

MONDAY: Cross-border acquisitions and mergers (fourth quarter). Balance of trade with countries outside the EU (February). EU economic and finance ministers meet in Brussels. Representatives from Andean Pact countries meet in Caracas to discuss their trade agreement. EU and Latvia hold second round of talks on free trade agreement. Markets closed in Japan.

TUESDAY: US merchandise trade (January). UN Food and Agriculture Organisation's world food security commission meets in Rome (until March 25). Pacific Economic Co-operation Council meets in Kuala Lumpur. EU industry council meets in Brussels. Financial Times holds conferences "Doing business with Poland" in Warsaw and "World Pharmaceuticals" in London.

WEDNESDAY: Retail prices index (February). Institutional investment (fourth quarter). International banking statistics (fourth quarter). US durable goods (February). European parliament in session in Brussels. Ruling Gatt council holds monthly meeting on bilateral disputes in Geneva.

THURSDAY: UK national accounts (fourth quarter). UK balance of payments (fourth quarter). Agriculture in the UK (1993). Farm incomes in the UK (1992/93). Earnings and hours of agricultural and horticultural workers in England and Wales (fourth quarter). Capital expenditure (fourth quarter-revised). Stocks and work in progress (fourth quarter-revised). New vehicle registrations (February). Asia Pacific Economic Co-operation countries hold two-day environment ministers meeting in Vancouver (until March 25). EU environment council meets in Brussels.

FRIDAY: CBI monthly trends enquiry (March). GB cinema exhibitors (fourth quarter). Engineering sales and orders at current and constant prices (January). Statistics of planning applications (October to December 1993). Opec ministers meet in Geneva.

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
109	2-10	2-19	1-52	2-53
110	1-43	1-56	2-21	3-26
111	1-17	1-33	2-59	4-03

Est. vol. total, Calls 5803 Puts 10301. Previous day's open int., Calls 72692 Puts 56144

US

■ US TREASURY BOND FUTURES (CBT)

	Open	Latest	Change
Mar	110-19	110-03	-0-19
Jun	109-20	109-03	-0-19
Sep	108-23	108-07	-0-19

CURRENCIES AND MONEY

MARKETS REPORT

Dollar gains

Foreign exchanges were dominated yesterday by rumours surrounding the unscheduled meeting of President Clinton and Mr Alan Greenspan, chairman of the US Federal Reserve, *writes Philip Gawith.*

The meeting immediately prompted talk of an early tightening of US policy, causing the dollar to strengthen. The US currency finished in London at DM1.6961, more than one-and-a-half pfennigs up on Thursday's close of DM1.68.

It was also stronger against sterling closing at $1.4888 from $1.4975. It closed marginally higher against the yen, at Y106.035 from Y105.695.

Markets were otherwise fairly quiet in the absence of any fresh data to trade off. In Europe the D-Mark finished little changed. Against the French franc it closed in London at FFr3.407 from FFr3.408 on Thursday. It was slightly stronger against the Italian lira closing at L989.3 from L987.7.

■ A White House spokesman said there had been no discussion at tha meeting about next week's gathering of the Fed's policy-making Federal Open Market Committee. He also said there had been "no messages given, and no messages delivered."

Markets, however, were convinced the meeting must have had monetary policy import.

■ Pound in New York

Mar 18	—Latest—	-- Prev. close –
£ spot	1.4930	1.4939
1 mth	1.4908	1.4918
3 mth	1.4880	1.4880
1 yr	1.4824	1.4833

Some speculated that Mr Clinton had called the Fed chairman in to emphasise that the Administration does not want higher interest rates.

More popular was the view that instead of tightening the Federal Funds rate by 25 basis points, the Fed might lift the discount rate by 50 points. Mr Steve Hannah, head of research at IBJ International, said this would be a "much more aggressive signal" about policy intentions than a smaller rise in the repo rate.

He said the speculation now was that the Fed had got itself into a lose-lose situation. If it does not tighten policy, Mr Greenspan's credibility will be damaged as he will be seen to have bowed to White House pressure.

But if he makes a substantial move, this will unsettle markets because it will require a revision about the likely pace of Fed tightening.

■ Rumours about the White House meeting resonated quite strongly in the UK and German interest rate futures markets. The June short sterling future lost four basis points to trade at 94.81 yesterday evening, while the December future was 10 points lower at 94.40.

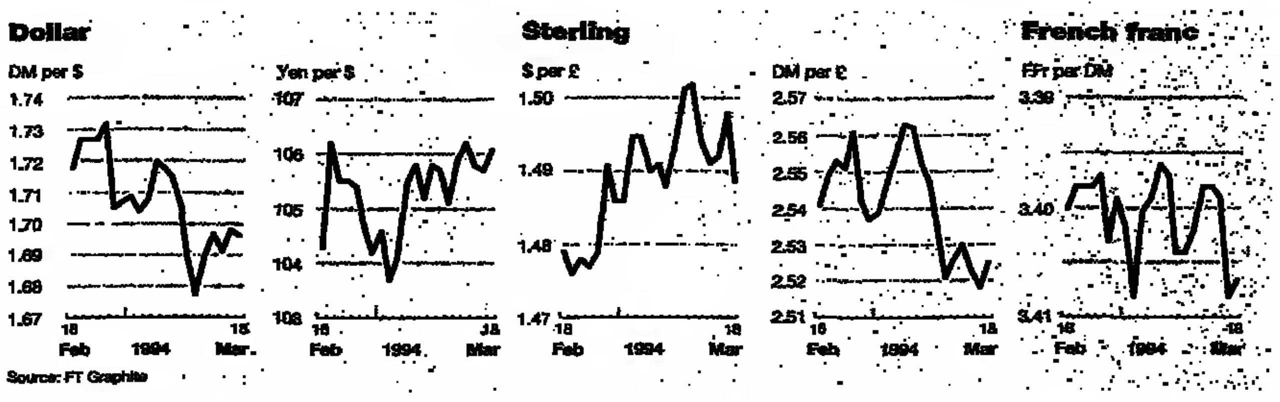
In Germany the moves were slightly less pronounced with the June euromark contract losing a point to 94.51 and the December contract eight points off at 94.91.

In both cases the fall in futures prices reflects a market perception that higher US rates will make it more difficult for European countries to cut rates.

German call money moved in the opposite direction to tha futures, falling to 5.70/5.80 per cent from 5.80/5.85 per cent. Call money is now well below the 5.89/5.90 per cent at which the Bundesbank allocated tha bulk of repo's this week.

Analysts believe the Bundesbank might now let its repo rate fall as low as 5.80 per cent from the current level of 5.88 per cent.

Conditions in the UK discount market were easier yesterday with the Bank of England speedily dispatching a £1.55bn shortage.



■ OTHER CURRENCIES

Mar 18	£	$
Hungary	154.268 - 154.468	103.640 - 103.740
Iran	2597.00 - 2603.00	1748.00 - 1750.00
Kuwait	0.4428 - 0.4445	0.2975 - 0.2985
Poland	32752.7 - 32793.7	22024.0 - 22024.0
Russia	2558.25 - 2568.18	1718.08 - 1725.00
U.A.E.	5.4701 - 5.4813	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7832	+0.0977	727 - 938	17.7966	17.6888	17.7794	0.3	17.7738	0.2	-	-	113.7
Belgium	(BFr)	52.0281	+0.1996	878 - 584	52.0900	51.6905	52.0731	-1.0	52.1631	-1.0	52.3681	-0.7	114.8
Denmark	(DKr)	8.8976	+0.0403	616 - 033	9.9059	9.8655	9.9066	-1.1	9.9213	-1.0	9.9561	-0.6	114.6
Finland	(FM)	8.2495	+0.0348	406 - 583	8.2583	8.2010	-	-	-	-	-	-	81.3
France	(FFr)	6.6016	+0.028	979 - 052	8.6143	6.5757	8.6101	-1.2	8.627	-1.2	8.6493	-0.8	108.4
Germany	(DM)	2.5250	+0.0092	239 - 261	2.5316	2.5180	2.5266	-0.8	2.5295	-0.7	2.5297	-0.2	123.3
Greece	(Dr)	368.689	+2.178	404 - 974	368.974	366.962	-	-	-	-	-	-	-
Ireland	(I£)	1.0411	+0.003	398 - 424	1.0454	1.0394	1.0417	-0.7	1.043	-0.7	1.0489	-0.7	102.7
Italy	(L)	2498.20	+12.87	668 - 073	2499.73	2489.49	2504.7	-3.1	2518	-3.3	2568.45	-2.8	75.6
Luxembourg	(LFr)	52.0281	+0.1996	978 - 584	52.0900	51.6905	52.0731	-1.0	52.1631	-1.0	52.3681	-0.7	114.8
Netherlands	(Fl)	2.8391	+0.0124	378 - 403	2.8432	2.8289	2.8398	-0.3	2.8406	-0.2	2.837	0.1	116.3
Norway	(NKr)	10.9531	+0.0391	497 - 564	10.9726	10.8906	10.9474	0.6	10.96	-0.3	10.9511	0.0	84.9
Portugal	(Es)	259.936	+1.018	594 - 277	260.277	259.384	260.911	-4.5	262.856	-4.6	-	-	-
Spain	(Pta)	207.383	+0.66	274 - 492	207.589	206.865	207.933	-3.2	208.963	-3.0	212.818	-2.6	84.9
Sweden	(SKr)	11.7270	+0.0229	194 - 345	11.7605	11.6820	11.747	-2.0	11.7825	-1.6	11.8915	-1.4	76.6
Switzerland	(SFr)	2.1453	+0.0056	442 - 464	2.1512	2.1416	2.1436	1.0	2.1399	1.0	2.1189	1.2	117.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3082	+0.0047	077 - 087	1.3098	1.3049	1.3096	-1.3	1.312	-1.2	1.3164	-0.6	-
SDR†	-	0.938238	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4890	-0.0079	886 - 893	1.4939	1.4861	-	-	-	-	-	-	-
Brazil	(Cr)	1179.16	+11.83	897 - 938	1181.00	1181.00	-	-	-	-	-	-	-
Canada	(C$)	2.0376	-0.0111	369 - 383	2.0478	2.0340	2.0355	1.3	2.0331	0.9	2.036	0.1	86.1
Mexico	(New Peso)	4.9278	-0.014	195 - 360	4.9458	4.9195	-	-	-	-	-	-	-
USA	($)	1.4888	-0.0087	885 - 890	1.4942	1.4882	1.4867	1.7	1.484	1.3	1.4784	0.7	66.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0899	-0.0119	888 - 910	2.1037	2.0874	2.0884	0.6	2.0861	0.7	2.0841	0.3	-
Hong Kong	(HK$)	11.5069	-0.0635	046 - 092	11.5439	11.4883	11.4939	1.4	11.4885	0.6	11.4394	0.6	-
India	(Rs)	46.7021	-0.2745	905 - 137	46.8690	46.6260	-	-	-	-	-	-	-
Japan	(Y)	157.860	-0.410	781 - 938	158.880	157.580	157.47	3.0	156.765	2.6	153.545	2.7	184.2
Malaysia	(M$)	4.0501	-0.0183	490 - 511	4.0612	4.0447	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5998	-0.0075	977 - 016	2.6084	2.5906	2.6027	-1.3	2.067	-1.1	2.6156	-0.6	-
Philippines	(Peso)	41.0524	-0.2413	849 - 198	41.5695	40.7846	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5815	-0.0336	801 - 829	5.6024	5.5724	-	-	-	-	-	-	-
Singapore	(S$)	2.3582	-0.0104	570 - 593	2.3653	2.3546	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1314	-0.0032	294 - 333	5.1446	5.1095	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.8036	-0.0176	950 - 122	6.8135	6.7251	-	-	-	-	-	-	-
South Korea	(Won)	1201.05	-6.91	052 - 147	1205.07	1198.21	-	-	-	-	-	-	-
Taiwan	(T$)	39.2862	-0.2683	071 - 692	39.3692	39.2071	-	-	-	-	-	-	-
Thailand	(Bt)	37.8952	-0.1991	739 - 164	37.8030	37.8310	-	-	-	-	-	-	-

†SDR rate for Mar 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.9460	+0.135	400 - 500	11.9500	11.8890	11.9655	-2.1	11.9925	-1.8	12.0025	-0.6	103.2
Belgium	(BFr)	34.9475	+0.3375	330 - 620	34.9700	34.6800	35.0275	-2.7	35.1475	-2.3	35.4225	-1.4	104.4
Denmark	(DKr)	6.6483	+0.0658	455 - 510	6.6510	8.9146	6.6638	-2.8	6.6966	-2.3	8.7283	-1.2	103.6
Finland	(FM)	5.5412	+0.0556	362 - 462	5.5462	5.4944	5.5469	-1.2	5.5522	-0.8	5.5674	-0.3	76.3
France	(FFr)	6.7777	+0.0524	762 - 792	6.7806	6.7526	5.7915	-2.9	5.8132	-2.5	5.8504	-1.3	105.0
Germany	(D)	1.6961	+0.0161	956 - 965	1.6975	1.6887	1.6996	-2.4	1.7046	-2.0	1.7112	-0.9	104.9
Greece	(Dr)	247.650	+2.9	500 - 800	947.800	246.740	251.3	-17.7	258.15	-17.0	288.65	-16.7	71.1
Ireland	(I£)	1.4300	-0.0128	285 - 315	1.4339	1.4269	1.427	2.5	1.4224	2.1	1.4084	1.5	-
Italy	(L)	1678.05	+18.4	730 - 880	1678.80	1668.00	1684.8	-4.8	1697.4	-4.6	1737.3	-3.5	78.3
Luxembourg	(LFr)	34.9475	+0.3375	330 - 620	34.9700	34.6900	35.0275	-2.7	35.1475	-2.3	35.4225	-1.4	104.4
Netherlands	(Fl)	1.9070	+0.0184	065 - 075	1.9092	1.8940	1.9101	-2.0	1.9141	-1.5	1.919	-0.6	103.8
Norway	(NKr)	7.3572	+0.0691	562 - 582	7.3630	7.2920	7.3679	-1.8	7.3804	-1.3	7.3932	-0.6	95.0
Portugal	(Es)	174.600	+1.7	400 - 800	174.800	174.100	175.58	-6.7	177.04	-5.6	182.2	-4.4	93.0
Spain	(Pta)	139.300	+1.255	250 - 350	139.350	138.850	139.865	-4.9	140.81	-4.3	143.95	-3.3	80.3
Sweden	(SKr)	7.8771	+0.0513	733 - 808	7.8874	7.8434	7.9041	-4.1	7.9414	-3.3	6.0421	-2.1	82.3
Switzerland	(SFr)	1.4410	+0.0121	405 - 415	1.4445	1.4375	1.4416	-0.7	1.4419	-0.2	1.4339	0.5	104.0
UK	(£)	1.4888	-0.0087	885 - 890	1.4942	1.4882	1.4867	1.7	1.484	1.3	1.4784	0.7	88.2
Ecu	-	1.1381	-0.0107	378 - 383	1.1424	1.1370	1.1363	2.9	1.1311	2.4	1.1231	1.3	-
SDR†	-	1.40032	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	+0.0006	001 - 002	1.0002	0.9995	-	-	-	-	-	-	-
Brazil	(Cr)	792.058	+12.525	055 - 060	792.060	779.530	-	-	-	-	-	-	-
Canada	(C$)	1.3687	+0.0006	684 - 689	1.3689	1.3640	1.3692	-0.4	1.3701	-0.4	1.3772	-0.6	84.9
Mexico	(New Peso)	3.3100	+0.01	050 - 150	3.3150	3.2950	3.3116	-0.6	3.3144	-0.5	3.325	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.0
Pacific/Middle East/Africa													
Australia	(A$)	1.4038	+0.0003	033 - 043	1.4047	1.3992	1.4048	-0.8	1.4077	-1.1	1.4152	-0.8	87.5
Hong Kong	(HK$)	7.7293	+0.0028	290 - 295	7.7295	7.7255	7.73	-0.1	7.7341	-0.2	7.7528	-0.3	-
India	(Rs)	31.3700	-	675 - 725	31.3725	31.3675	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	106.035	+0.34	000 - 070	106.070	105.570	105.93	1.2	105.635	1.5	103.86	2.1	145.0
Malaysia	(M$)	2.7205	+0.0037	202 - 207	2.7259	2.7163	2.7146	2.6	2.698	3.3	2.7705	-1.8	-
New Zealand	(NZ$)	1.7463	+0.0052	452 - 473	1.7473	1.7289	1.7479	-1.1	1.7524	-1.4	1.7668	-1.2	-
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7491	-0.0005	488 - 494	3.7498	3.7488	3.7515	-0.6	3.7558	-0.7	3.7746	-0.7	-
Singapore	(S$)	1.5840	+0.0023	835 - 845	1.5854	1.5812	1.584	0.0	1.584	0.0	1.6075	-1.5	-
S Africa (Com.)	(R)	3.4466	+0.018	460 - 475	3.4525	3.4265	3.4611	-5.0	3.4901	-5.0	3.5873	-4.1	-
S Africa (Fin.)	(R)	4.5700	+0.015	650 - 750	4.5800	4.5375	4.601	-8.1	4.665	-8.3	-	-	-
South Korea	(Won)	808.750	+0.1	600 - 900	806.900	806.100	809.75	-4.5	813.25	-3.2	831.75	-3.1	-
Taiwan	(T$)	26.3900	-0.025	400 - 400	26.4400	26.4100	26.4625	-4.7	26.64	-3.8	-	-	-
Thailand	(Bt)	25.3200	+0.015	100 - 300	25.3300	25.3000	25.39	-3.3	25.53	-3.3	25.87	-1.4	-

†SDR rate for Mar 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 17. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar.18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.53	4.853	2.001	4601	5.456	21.05	499.5	396.6	22.54	4.123	1.922	3.917	2.862	303.5	2.514
Denmark	(DKr)	52.57	10	8.691	2.551	1.052	2524	2.868	11.06	262.6	209.5	11.86	2.167	1.010	2.059	1.504	159.5	1.321
France	(FFr)	60.49	11.61	10	2.935	1.210	2904	3.300	12.73	302.1	241.1	13.64	2.494	1.163	2.369	1.731	183.6	1.521
Germany	(DM)	20.61	3.920	3.407	1	0.412	989.3	1.124	4.337	102.9	82.14	4.646	0.850	0.396	0.807	0.590	62.53	0.516
Ireland	(I£)	49.98	9.508	8.263	2.426	1	2400	2.727	10.52	249.7	199.2	11.27	2.061	0.961	1.958	1.430	151.7	1.256
Italy	(L)	2.083	0.396	0.344	0.101	0.042	100.	0.114	0.438	10.40	8.303	0.470	0.086	0.040	0.082	0.060	6.321	0.052
Netherlands	(Fl)	18.33	3.486	3.030	0.889	0.367	879.9	1	3.857	91.55	73.05	4.132	0.756	0.352	0.718	0.524	55.62	0.461
Norway	(NKr)	47.52	9.039	7.856	2.306	0.951	2281	2.593	10	237.4	189.4	10.71	1.959	0.913	1.861	1.360	144.2	1.195
Portugal	(Es)	20.02	3.808	3.310	0.972	0.401	961.1	1.092	4.213	100.	79.80	4.513	0.825	0.385	0.784	0.573	60.75	0.503
Spain	(Pta)	25.09	4.772	4.148	1.217	0.502	1204	1.369	5.280	125.3	100.	5.656	1.034	0.482	0.983	0.716	76.13	0.631
Sweden	(SKr)	44.36	8.436	7.333	2.153	0.887	2130	2.420	9.335	221.6	176.8	10	1.829	0.853	1.737	1.269	134.6	1.115
Switzerland	(SFr)	24.26	4.614	4.010	1.177	0.485	1165	1.324	5.105	121.2	96.69	5.469	1	0.466	0.950	0.694	73.61	0.610
UK	(£)	52.03	9.896	8.602	2.526	1.041	2498	2.839	10.96	259.8	207.4	11.73	2.145	1	2.038	1.489	157.8	1.308
Canada	(C$)	25.53	4.857	4.221	1.239	0.511	1226	1.393	5.373	127.5	101.6	5.756	1.053	0.491	1	0.731	77.48	0.642
US	($)	34.94	6.647	5.777	1.696	0.699	1678	1.907	7.354	174.5	139.3	7.878	1.441	0.672	1.369	1	106.0	0.878
Japan	(Y)	329.5	62.69	54.48	15.99	6.593	15820	17.98	69.35	1646	1313	74.29	13.58	6.333	12.91	9.430	1000.	8.284
Ecu		39.78	7.567	6.576	1.930	0.796	1610	2.170	8.372	198.7	158.6	6.968	1.640	0.765	1.558	1.138	120.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5890	0.5875	-0.0016	0.5896	0.5862	60,983	88,787
Sep	0.5850	0.5855	-0.0021	0.5855	0.5850	222	2,753
Dec	-	0.5850	-	-	0.5850	4	112

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9485	0.9454	-0.0028	0.9496	0.9445	17,105	47,889
Sep	-	0.9505	-	-	0.9505	124	1,668
Dec	-	0.9560	-	-	0.9560	45	384

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6951	0.6939	-0.0011	0.6956	0.6918	16,334	32,392
Sep	-	0.6942	-	-	0.6930	39	260
Dec	-	0.6960	-	-	0.6950	2	37

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.4888	1.4846	-0.0036	1.4900	1.4816	10,953	25,067
Sep	1.4810	1.4810	-0.0040	1.4810	1.4790	88	616
Dec	-	1.4790	-	-	1.4780	5	30

EMS EUROPEAN CURRENCY UNIT RATES

Mar 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796529	+0.00028	-1.50	4.57	10
Netherlands	2.19672	2.16974	-0.00109	-1.23	4.28	-
Belgium	40.2123	39.7673	-0.0055	-1.11	4.16	6
Germany	1.94964	1.93015	-0.0012	-1.00	4.05	-
France	6.53883	6.57747	+0.00697	0.59	2.40	-5
Denmark	7.43679	7.56309	+0.01169	1.70	1.29	-12
Spain	154.250	158.556	-0.122	2.79	0.21	-19
Portugal	192.854	198.654	-0.167	3.01	0.00	-20
NON ERM MEMBERS						
Greece	264.513	261.847	+0.002	8.46	-3.26	-
Italy	1793.16	1611.62	+4.84	6.60	-3.37	-
UK	0.786748	0.765852	-0.00105	-2.66	5.82	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.400	8.37	8.30	8.37	-	0.06	0.27
1.425	5.97	6.08	6.30	-	0.27	0.63
1.450	3.67	4.05	4.44	0.16	0.73	1.24
1.475	1.63	2.45	2.06	0.79	1.57	2.16
1.500	6.88	1.30	1.82	2.11	2.85	3.47
1.525	0.16	0.60	1.04	4.05	4.64	5.17

Previous day's vol., Calls 9,013 Puts 18,973. Prev. day's open int., Calls 482,690 Puts 387,303

WORLD INTEREST RATES

MONEY RATES

March 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	$8\frac{3}{4}$	$6\frac{7}{8}$	$6\frac{1}{4}$	$6\frac{1}{4}$	7.40	5.00	-
week ago	-	$8\frac{3}{4}$	$6\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{3}{8}$	7.40	5.00	-
France	$6\frac{3}{8}$	$6\frac{1}{4}$	$6\frac{1}{4}$	$6\frac{1}{8}$	$5\frac{7}{8}$	6.10	-	7.75
week ago	$6\frac{3}{8}$	$6\frac{3}{8}$	$6\frac{1}{4}$	$6\frac{1}{8}$	$5\frac{15}{16}$	6.10	-	7.75
Germany	5.75	5.85	5.75	5.58	5.36	6.75	5.25	5.88
week ago	5.95	5.85	5.85	5.65	5.43	6.75	5.25	5.94
Ireland	$6\frac{3}{8}$	$6\frac{1}{4}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	-	-	6.75
week ago	$8\frac{3}{4}$	$8\frac{1}{4}$	$6\frac{1}{8}$	$6\frac{1}{8}$	$6\frac{1}{8}$	-	-	6.75
Italy	$8\frac{3}{4}$	$8\frac{5}{8}$	$8\frac{5}{8}$	$8\frac{3}{8}$	$6\frac{3}{8}$	-	8.00	8.92
week ago	$6\frac{3}{4}$	$8\frac{5}{8}$	$8\frac{7}{8}$	$8\frac{7}{8}$	$8\frac{7}{8}$	-	8.00	8.92
Netherlands	5.53	5.47	5.29	6.16	5.16	-	5.25	-
week ago	5.53	5.47	5.30	5.21	5.16	-	5.25	-
Switzerland	4	$4\frac{1}{8}$	$4\frac{1}{8}$	4	$3\frac{15}{16}$	6.625	4.00	-
week ago	4	$4\frac{1}{4}$	$4\frac{1}{8}$	$4\frac{1}{8}$	$3\frac{15}{16}$	6.625	4.00	-
US	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{13}{16}$	$4\frac{1}{8}$	$4\frac{5}{8}$	-	3.00	-
week ago	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{3}{4}$	$4\frac{1}{8}$	$4\frac{3}{8}$	-	3.00	-
Japan	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	-	1.75	-
week ago	$2\frac{1}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$3\frac{3}{8}$	$3\frac{7}{8}$	$4\frac{1}{4}$	$4\frac{3}{4}$	-	-	-
week ago	-	$3\frac{3}{8}$	$3\frac{7}{8}$	$4\frac{1}{8}$	$4\frac{5}{8}$	-	-	-
US Dollar CDs	-	3.44	3.64	3.92	4.31	-	-	-
week ago	-	3.44	3.70	4.00	4.43	-	-	-
SDR Linked Ds	-	$3\frac{3}{8}$	$3\frac{7}{8}$	$3\frac{7}{8}$	4	-	-	-
week ago	-	$3\frac{3}{8}$	$3\frac{3}{4}$	$3\frac{7}{8}$	4	-	-	-

ECU Linked Ds mid rates: 1 mth: $6\frac{3}{4}$; 3 mths: $6\frac{3}{8}$; 6 mths: $6\frac{1}{8}$; 1 year: $5\frac{7}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{8}$ - 6	$6\frac{1}{8}$ - 6	$6\frac{1}{16}$ - $5\frac{15}{16}$
Danish Krone	$5\frac{7}{8}$ - $5\frac{1}{2}$	$6\frac{1}{4}$ - 6	$6\frac{1}{4}$ - 6	$6\frac{1}{8}$ - $5\frac{7}{8}$	$6\frac{1}{8}$ - $5\frac{7}{8}$	$5\frac{7}{8}$ - $5\frac{5}{8}$
D-Mark	$5\frac{7}{8}$ - $5\frac{3}{4}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$5\frac{15}{16}$ - $5\frac{7}{8}$	$5\frac{13}{16}$ - $5\frac{3}{4}$	$5\frac{11}{16}$ - $5\frac{5}{8}$	$5\frac{7}{16}$ - $5\frac{1}{2}$
Dutch Guilder	$6\frac{3}{8}$ - $5\frac{7}{8}$	$5\frac{5}{8}$ - $5\frac{7}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{3}{8}$ - $5\frac{1}{16}$
French Franc	$6\frac{3}{4}$ - $5\frac{3}{4}$	$6\frac{5}{16}$ - $6\frac{3}{16}$	$6\frac{3}{8}$ - $6\frac{1}{16}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{1}{8}$ - 6	$5\frac{15}{16}$ - $5\frac{13}{16}$
Portuguese Esc.	$10\frac{1}{4}$ - 10	$10\frac{1}{2}$ - 10	$10\frac{1}{4}$ - $9\frac{3}{4}$	$9\frac{3}{4}$ - $9\frac{1}{4}$	$9\frac{1}{2}$ - 9	$8\frac{1}{2}$ - 8
Spanish Peseta	$8\frac{5}{8}$ - $6\frac{1}{4}$	$8\frac{1}{4}$ - $8\frac{1}{16}$	$8\frac{1}{4}$ - $8\frac{1}{16}$	$8\frac{3}{8}$ - 8	$8\frac{3}{8}$ - 8	$5\frac{3}{8}$ - 6
Sterling	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{1}{4}$ - $5\frac{3}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$
Swiss Franc	$4\frac{1}{4}$ - 4	$4\frac{1}{4}$ - 4	$4\frac{1}{8}$ - 4	$4\frac{1}{16}$ - $3\frac{15}{16}$	$3\frac{15}{16}$ - $3\frac{13}{16}$	$3\frac{15}{16}$ - $3\frac{13}{16}$
Can. Dollar	$3\frac{13}{16}$ - $3\frac{11}{16}$	4 - $3\frac{3}{4}$	$4\frac{1}{8}$ - $3\frac{15}{16}$	$4\frac{5}{8}$ - $4\frac{1}{2}$	$4\frac{7}{8}$ - $4\frac{5}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$
US Dollar	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{7}{8}$ - $3\frac{3}{4}$	$4\frac{1}{8}$ - 4	$4\frac{5}{8}$ - $4\frac{1}{2}$
Italian Lira	8 - $7\frac{1}{2}$	$8\frac{3}{8}$ - $7\frac{7}{8}$	$8\frac{3}{8}$ - $7\frac{7}{8}$	$8\frac{3}{8}$ - $7\frac{7}{8}$	$8\frac{1}{8}$ - $7\frac{3}{4}$	$7\frac{1}{2}$ - $7\frac{1}{8}$
Yen	$2\frac{1}{2}$ - $2\frac{3}{8}$	$2\frac{3}{8}$ - $2\frac{1}{4}$	$2\frac{5}{16}$ - $2\frac{3}{16}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$2\frac{1}{4}$ - $2\frac{1}{8}$	$2\frac{1}{2}$ - $2\frac{3}{8}$
Asian $Sing	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	4 - 3	4 - 3	$4\frac{1}{4}$ - $3\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.10	94.15	-0.03	94.19	94.12	25,594	31,934
Sep	94.49	94.42	-0.06	94.49	94.41	8,350	44,642
Dec	94.69	94.60	-0.09	94.69	94.58	12,901	33,501
Mar	94.76	94.65	-0.13	94.78	94.64	7,631	37,024

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.68	95.65	-0.07	95.68	95.62	640	4579
Sep	95.28	95.24	-0.09	95.28	95.26	134	2106
Dec	94.85	94.82	-0.11	94.85	94.83	133	1525
Mar	94.61	94.58	-0.12	94.61	94.60	128	531

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.51	94.51	-0.01	94.52	94.48	30394	261306
Sep	94.78	94.74	-0.06	94.78	94.70	33310	166633
Dec	94.98	94.91	-0.08	94.98	94.88	34066	153905
Mar	95.05	94.97	-0.10	95.05	94.91	16756	124315

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	61.85	91.73	-0.12	81.85	91.68	8481	59203
Sep	92.11	91.96	-0.18	92.11	91.94	2827	29638
Dec	92.25	92.13	-0.15	92.25	92.10	2638	38812
Mar	92.28	92.13	-0.18	92.28	92.10	1070	2692

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.11	96.06	-0.03	96.12	96.05	4144	33063
Sep	96.18	96.17	-0.03	96.18	96.15	703	7256
Dec	95.10	96.06	-0.05	96.11	96.06	106	4662
Mar	96.00	96.00	-0.05	96.00	96.00	25	99

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.10	94.05	-0.06	94.10	94.02	1043	11225
Sep	94.35	94.29	-0.09	94.35	94.27	194	10334
Dec	94.48	94.40	-0.11	94.48	94.39	135	6848
Mar	94.48	94.40	-0.14	94.48	94.43	25	373

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	96.70	95.66	-0.04	95.70	95.63	115,977	495,449
Sep	95.29	95.25	-0.05	95.29	95.23	92,310	387,449
Dec	94.88	94.83	-0.05	94.88	94.80	54,658	283,174

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	96.08	96.07	-0.04	96.08	96.08	2,496	33,971
Sep	95.74	95.74	-0.03	95.74	95.73	445	6,077
Dec	-	95.40	-	-	95.39	28	2,818

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9450	0.12	0.35	0.53	0.11	0.11	0.12
9475	0.04	0.20	0.36	0.28	0.21	0.20
9500	0.02	0.10	0.23	0.51	0.36	0.32

Est. vol. total, Calls 3022 Puts 6065. Previous day's open int., Calls 197719 Puts 137018

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9600	0.14	0.28	0.29	0.06	0.09	0.20
9625	0.04	0.14	0.18	0.21	0.22	0.32
9650	0.02	0.07	0.08	0.44	0.40	0.49

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 489 Puts 860

UK INTEREST RATES

LONDON MONEY RATES

Mar 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	$5\frac{1}{16}$ - $4\frac{7}{8}$	$5\frac{3}{16}$ - 5	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{5}{16}$ - $5\frac{3}{16}$	$5\frac{5}{8}$ - $5\frac{1}{4}$
Sterling CDs	-	-	$5\frac{1}{8}$ - $5\frac{1}{16}$	$5\frac{1}{8}$ - $5\frac{1}{16}$	$5\frac{1}{8}$ - $5\frac{7}{16}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
Treasury Bills	-	-	$4\frac{29}{32}$ - $4\frac{27}{32}$	$4\frac{3}{4}$ - $4\frac{11}{16}$	-	-
Bank Bills	-	-	$4\frac{29}{32}$ - $4\frac{27}{32}$	$4\frac{29}{32}$ - $4\frac{27}{32}$	$4\frac{29}{32}$ - $4\frac{27}{32}$	-
Local authority deps.	$5\frac{3}{16}$ - $5\frac{1}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{5}{16}$ - $5\frac{3}{16}$
Discount market deps.	6 - 4	$5\frac{1}{16}$ - $4\frac{13}{16}$	-	-	-	-

UK clearing bank base lending rate $5\frac{1}{4}$ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{2}$pc.
Ave. tender rate of discount 4.8058pc. ECGD fixed rate Stlg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.265pc. Finance House Base Rate $5\frac{1}{2}$pc from Mar 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.84	94.83	-0.02	94.86	94.80	26362	119184
Sep	94.71	94.66	-0.07	64.71	94.61	23329	73266
Dec	94.47	94.41	-0.09	94.47	94.37	17816	101965
Mar	94.16	94.12	-0.06	94.16	94.07	4280	32935

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9475	0.17	0.16	0.16	0.09	0.27	0.50
9500	0.06	0.09	0.06	0.23	0.43	0.67
9525	0.01	0.04	0.04	0.43	0.63	0.88

Est. vol. total, Calls 12565 Puts 10489. Previous day's open int., Calls 113854 Puts 118758

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

هكذا من الاصل

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £133
Exchequer 10½% Stk 2005 - £124¾

Corporation and County Stocks

Birmingham Corp 3% Stk 1947(or after) - £32½ (16Mr94)
Birmingham Corp 3% (1902) 1932(or after) - £34 (16Mr94)
Birmingham District Council 11½% Red Stk

Leeds Permanent Building Society Collared FltgRteNts 2003(Reg MultE1000) - £103¼ (11Mr94)
Leeds Permanent Building Society Collared Fltg Rte Nts 2003 (Br £ Var) - £103½ (14Mr94)
Lloyds Bank PLC 7¾% Subord Bds 2004(Br£Various) - £95⅛ ½ .675 ¾
Lloyds Bank PLC 8½% Subord Bds 2023 (Br £ Var) - £111½ ¼ (15Mr94)
Lloyds Bank PLC 11¾% Subord Serial Nts 1998(Br£10000) - £110¼ (14Mr94)
Lonrho Finance PLC 6% Gtd Cnv Bds 2004(Br£Vars) - £102¾ 3 ¼ (15Mr94)

UK Public Boards

Commonwealth Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Lasmo PLC 9½% Nts 1999 (Br £ Var) - £103 (14Mr94)
Leeds Permanent Building Society 7½% Nts 1997(Br£Var) - £102¾ (15Mr94)
Leeds Permanent Building Society 7½% Nts 1998 (Br £ Var) - £101 (15Mr94)
Leeds Permanent Building Society 10½% Subord Bds 1998 (Br£5000) - £110 ½

Albert Fisher Group PLC ADR (10:1) - $9.43
Alexander & Alexander Services Inc Shs of Class C Com Stk $1 - £12 (15Mr94)
Alexanders Hldgs PLC "A"(RstV)Ord 10p - 25 (16Mr94)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 72½ф 73ф

Investment Trusts

USM Appendix

Rule 535(2)

Southern Newspapers PLC Ord £1 - £4.18 4.2 4.2 4¼ (16Mr94)
Southern Vectis PLC Ord 10p - £0.225 (11Mr94)
Sun Oil Britain Ld Oil Royalty Stk Units 1p - 30 (15Mr94)
Thwaites(Daniel)& Co PLC Ord 25p - £0.53 2.8 (15Mr94)
Titaghur PLC Ord 5p - £0.15
Tracker Network PLC Ord £1 - £11 11.04 11½
UAPT-Infolink PLC Ord 25p - £0.78 0.8
Unicorn Inns PLC Ord 25p - £0.55 (15Mr94)
United Auctions (Scotland) Ld Ord £1 - £3
Vista Entertainments PLC Ord 5p - £0.00125 0.00375 (14Mr94)
Warburg Asset Management Jersey Mercury Intl Gold & General Fd - $1.58225ф 1.65ф
Weetabix Ld "A" Non.V Ord 25p - £18¼ 17
Whitchurch Group PLC Ord 10p - £0.58 0.57
Winchester Multi Media PLC Ord 5p - £0.0 (11Mr94)
Yates Bros Wine Lodges PLC Ord 25p - £2.1075 2.12 (15Mr94)
Young Group PLC Ord 10p - £0.0025

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation A$2.302 (11.3)
Bank of East Asia HK$32.60,33.10
Beach Petroleum 8 (14.3)
Bukit Sembawang 800ф
Cape Range Oil A$0.89ф (14.3)
Churchill Resources 16½ф16 (16.3)
City Developments HK$6.6175
Cons. Exploration 4ф (11.3)
Devex 30 (11.3)
Dullar Exploration 325ф (14.3)
Far East Hotels HK$2.736137 (15.3)
Forest Laboratories $51 (15.3)
Gelman Sciences £12⅛
Gen. Securities Inv. S$2.817984 (15.3)
Harland (John H.) £15.74 (11.3)
Hunter Resources A$0.5446
Keystone International $26.894ф
Kulim Malaysia 95 (15.3)
Magellan Petroleum A$2.0346
Malaysian Plantations 58ф (14.3)
Murray & Roberts Hldgs. R.67.90
Nampak R.142.00,142.10,142.20
Oil Search 41 (16.3)
Palabora Mining R.59.626
Pretoria Portland Cement £10⅝ (16.3)
Regal Hotels HK$2.05661
Selangor Coconuts 105 (16.3)
Singapore Land S$5.884365 (11.3)
Strategic Minerals A$0.16
Valiant Consolidated A$0.4006
Walhalla Mining 11ф12½ф11,A$0.236 (15.3)
Westfield Minerals 54 (14.3)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

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LONDON STOCK EXCHANGE

MARKET REPORT

Renewed bond weakness sparks equity sell-off

By Steve Thompson

A trading session fraught with tension and surrounded by speculation of an imminent further tightening of monetary policy by the US Federol Reserve saw London's equity market, under the lead of a struggling gilt-edged market, fall sharply before staging o good rally towards the close of trading. The situation was further confused by stories of a potential military confrontation in Korea.

Adding to the general unease surrounding the UK market was the "double witching hour" or expiry of index option futures and the FT-SE Index future in mid-morning, traditionatty on event which triggers exaggerated movements in underlying stock prices.

When the dust settled, however, and helped by a resilient showing by US honds and equities, the FT-SE 100 index had recovered to close a net 37.6 lower on the session at 3,218.1.

The Mid 250 index fell 21.0 to 3,865.6.

And, as senior traders were quick to point out, the 100 index finished a volatile week a remarkable 26.2 higher, thanks mainly to the 75 points jump in the index on Monday and Tuesday when bond markets were indulging in a strong recovery process and the UK market was being driven higher by a flurry of excellent corporate results.

The early scene in equities was one of unmitigated gloom, with gilts sharpty lower, ahead of expected news of another gilts auction. Long gilts fell further as the morning wore on, dragging equities down with them, as the market picked up the stories of potential trouble in Korea and began to react to a series of rumours about Mr Alan Greenspan, chairman of the US Federal Reserve.

The most extreme of these was that Mr Greenspan was about to resign and another was that he had cancelled a trip to Dallas, Texas, where he was about to address a conference, and had been called to the White House to hrief President Clinton on another increase in the Federal Discount Rate next week. The Federal Reserve's Open Market Council Meeting, to discuss monetary policy, is scheduled for Tuesday.

These rumours, which drove long gilts down by 1% at worst, and were accompanied by the expiry of the March index options and the FT-SE future, sent the equity market into a tailspin, which saw the 100 index dip below 3,200 and reach a session low of 3,197.7.

Thereafter markets embarked on a good recovery, as the Korean stories foundered and US bonds and German bunds began to stabilise. News of the innovative auction of a floating rate gilt, with details on price and size expected next week, took the edge off losses in UK gilts.

Senior marketmakers said the equity market had taken fright at the prospect of another rise in US interest rates but that there had been little in the way of heavy selling pressure as the stories circulated in the market. "It has to be said that there was little in the way of genuine customer business either way today," said one trader.

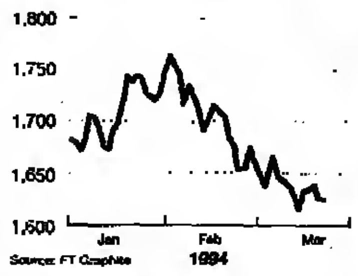
Turnover yesterday reached 609.4m shares, below levels seen earlier this week and well down on the 1bn-plus levels seen previously this year.

Next week brings more crucial economic numbers from both sides of the Atlantic. UK economists will focus on Wednesday's retail price index details for February, while in the US the FOMC meeting and auctions of two-year and five-year bonds will capture the headlines.

Account Dealing Dates		
*First Dealings:		
Feb 28	Mar 14	Mar 28
Option Declarations:		
Mar 10	Mar 24	Apr 7
Last Dealings:		
Mar 11	Mar 25	Apr 8
Account Day:		
Mar 21	Apr 5	Apr 18

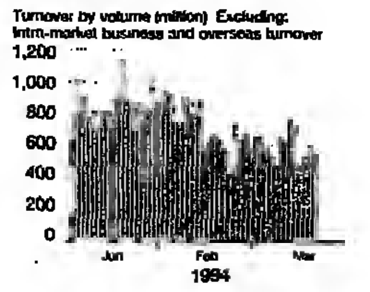
*New time dealings may take place from two business days earlier.

FT-SE-A All-Share index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3865.6	-21.0
FT-SE-A 350	1632.7	-21.0
FT-SE-A All-Share	1624.88	-15.88
FT-SE-A All-Share yield	3.56	(3.53)
FT Ordinary index	2542.7	-23.8
FT-SE-A Non Fins p/e	21.60	(21.78)
FT-SE 100 Fut Jun	3215.0	-32.0
10 yr Gilt yield	7.35	(7.25)
Long gilt/equity yld ratio:	2.20	(2.19)

FT-SE 100 Index	
Closing index for Mar 18	3218.1
Change over week	+26.2
Mar 17	3255.7
Mar 16	3242.9
Mar 15	3267.4
Mar 14	3233.4
High*	3269.5
Low*	3197.7

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	12,000	58	-1½	Lonrho	5,200	153	-3½
Abbey National†	1,000	486	-2	Lucas	2,700	219	+4
Albert Fisher	842	64	+1	MEPC†	432	490	-3
Allied-Lyons†	1,200	618	-2	MFI	426	168½	-½
Anglian Water†	1,300	497½	-5½	Manweb	114	723	-5
Argos	809	355		Marks & Spencer†	2,600	417	-7
Argyll Group†	6,700	256	+3	Midlands Elect.	336	626	-4
Arjo Wiggins†	2,200	298	-3	Morrison (Wm.)	569	117½	+1
Assoc. Brit. Foods†	731	559	+2	NFC†	5,700	247	
Assoc. Brit. Ports	283	585	+2	NatWest Bank†	3,200	465	-5
BAA†	1,200	1005	-3	National Power†	1,800	470	-6
BAT Inds.†	3,400	472	-1	Next	6,000	223	+½
BET	8,600	130	-1	North West Water†	707	532	-7
BICC	897	433	-6	Northern Elect.	510	673	+4
BOC†	616	721	-5	Northern Foods†	1,500	212	-6
BP†	8,500	367½	-1½	Norweb	232	653	-4
BPB Inds.	1,700	335	-2	Pearson†	1,600	658	-17
BT†	5,900	411½	-4½	P & O†	2,900	679	-13
BT (P/Paid)	4,800	293	-4	Pilkington	1,200	196	
BTR†	41,000	384	-3	PowerGen†	1,600	563	-3
Bank of Scotland†	1,200	196	-4	Prudential†	2,700	330	-2
Barclays†	12,000	552	-1	RMC†	612	980	+10
Bass†	1,900	524	-1	RTZ†	2,600	864	+3
Blue Circle†	657	360	-5	Racal	1,800	216	-4
Booker	290	418	+1	Rank Org.†	1,700	418	-5
Boots†	1,400	536	-11½	Reckitt & Colman†	393	630	-8
Bowater†	1,100	490	-3	Redland†	1,600	574	-2
Brit. Aerospace†	1,000	504	-5	Reed Intl.†	1,200	869	-9
British Airways†	4,500	426½	-½	Rentokil†	1,100	241	-7½
British Gas†	7,000	304½	-7½	Reuters†	846	2010	-11
British Land	256	409	-1	Rolls Royce†	6,300	168½	-3½
British Steel†	8,800	145¼	-¼	Ryl Bk Scotland†	3,000	437	-1
Bunzl	633	161	-1½	Royal Insurance†	1,200	277	-1
Burmah Castrol†	99	837	-3	Sainsbury†	3,000	388	+½
Burton	2,800	54¼	+¼	Schroders†	638	1169	-54
Cable & Wire†	5,500	441	-11	Scottish & New.†	2,000	536	-7
Cadbury Schweppes†	924	460	-4	Scot. Hydro-Elect.	3,800	359	-6½
Calor Group	157	321	-4	Scottish Power†	1,300	385	-6
Caradon†	608	396	-1	Sears†	1,600	119½	
Carlton Comms.†	858	983	-2	Sedgwick	1,600	216	+5
Coats Viyella†	1,900	256	-5	Seeboard	254	441	-1
Comm. Union†	1,700	582	+1	Severn Trent†	735	564	
Cookson	1,700	278	-4	Shell Transport†	5,400	672½	-10½
Courtaulds†	2,600	580	-7	Siebe†	1,800	567	-11
Dalgety	72	454	-4	Slough Ests	555	269	+3
De La Rue	1,500	1021	+22	Smith (W.H.) A	1,100	524	+2
Dixons	1,000	211	-3	Smith & Nephew†	1,400	143½	-1
Eastern Elect.	674	630	-2	SmKl Beecham†	2,400	404	-4
East Midland Elect.	549	608	-5	SmKl Beecham Uts.†	861	369	-5
Eng China Clays	1,000	518	-2	Smiths Inds.	302	403	-1
Enterprise Oil†	1,500	411	-2	Southern Elect.†	682	636	-6
Eurotunnel Units	142	535	-4	South Wales Elect.	39	690	-13
FKI	1,300	211	+1	South West Water	30	505	-3
Fisons	2,500	132	-1½	South West. Elect.	430	635	-2
Foreign & Col. I.T.	455	295	-4½	Southern Water	238	565	
Forte†	2,100	260	+3	Standard Chartd.†	2,400	1160	+22
Gen. Accident†	1,300	613	-2	Storehouse	6,000	220	-8
General Elect.†	3,400	304½	-5½	Sun Alliance†	1,100	329	-3
Glaxo†	4,500	684½	-6½	T&N	143	239	-1
Glynwed	654	360	-3½	TI Group†	3,000	386	+1
Granada†	2,700	502	-4	TSB†	4,200	233	-3½
Grand Met.†	2,000	469	-7	Tarmac	5,200	201½	+6½
GUS†	1,700	562	-18	Tate & Lyle	526	427	-3
GRE†	1,300	191	-5	Taylor Woodrow	563	150	-7
GKN	253	568½	-½	Tesco†	3,100	220	-½
Guinness†	4,100	485	+1	Thames Water†	781	530	
HSBC (75p shs)†	5,800	787	-37	Thorn EMI†	727	1122	-22
Hammerson	220	381	-3	Tomkins†	698	252	-4
Hanson†	6,000	261½	-2½	Trafalgar House	829	108	-2
Harrisons Crosfield	900	210		Unigate	1,000	360	+7
Hays	298	296	-6	Unilever†	5,100	1058	-23
Hillsdown	1,600	173	+2	United Biscuits†	2,100	348	-1
IMI	183	347	-6	Utd. Newspapers	1,100	666	-7
ICI†	1,000	787		Vodafone†	1,900	561	-14
Inchcape†	2,000	556	+2	Warburg (SG)†	617	765	-19
Johnson Matthey	144	574	+3	Wellcome†	1,700	627½	-3½
Kingfisher†	2,300	589	-14	Welsh Water	257	656	-11
Kwik Save	350	602	-3	Wessex Water	702	681	+2
Ladbroke†	2,000	207	-½	Whitbread†	1,300	540	-11
Land Securities†	1,500	694	-8	Williams Hldgs.†	1,400	369	-6
Laporte	610	799	-5	Willis Corroon	2,200	234	+6
Legal & General†	1,100	502	-6	Wimpey	1,600	209	-1
Lloyds Abbey	1,100	412	-1	Wolseley†	384	935	-6
Lloyds Bank†	1,700	562	-6	Yorkshire Elect.	416	633	-7
LASMO	1,800	130	-2	Yorkshire Water	208	524	-3
London Elect.	587	609	-4	Zeneca†	1,500	764	+3

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Technical trading in June futures led to a sharp retreat in index futures and a fall in the cash market, after expiry of March derivatives.

The mid-morning expiry of tha March index options and futures passed off peacefully with tha March futures contract closing at 3,235 on volume of 7,861.

Active selling of June saw it finish at 3,215 on volume of 23,589 lots. In the Liffe mid-250, March closed at 3,856 and June at 3,865.

Turnover in Liffe traded options was 33,154.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3233.0	3235.0	-12.0	3240.0	3221.8	7873	14615
Jun	3238.0	3215.0	-38.0	3245.5	3186.0	23589	52849
Sep	3231.0	3232.0	-43.0	3231.0	3231.0	18	680

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3888.8	3856.0	-32.0	3868.0	3868.0	25	881
Jun	3885.0	3865.0	-40.0	3885.0	3860.0	94	1334

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3860.0	3890.8	+30	3860.0	3860.8	3	767
Sep		3911.0					

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3218) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Mar	188½		118½		68½		16½			33½		83½		133½		183½
Apr	174½	18	133½	26	108½	39½	67	60½	43½	88	26	118½	14½	158½	8	202½
May	198	35	161	48½	128½	63½	98	85	73½	109½	53	139½	14½	173	23	209½
Jun	213½	50½	177½	64	146	82	119½	102½	91	128	70½	155	52½	186½	39½	223
Dec†			268½	129			198½	163½			158½	214			108	270½

Calls 8,155 Puts 10,763

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Mar	180		110		60		10			40		90		140		190
Apr	150½	22½	112½	32½	82½	49½	55½	72½	32½	101½	18½	138½	10	179½	5	224
May			143½	56			83	94½			42	152½			18½	228
Jun			158	68½			103½	112½			83	171			35	242
Sept†			208	101½			149½	142			104½	184½			78	257

Calls 1,288 Puts 2,948 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

3950 4000 4050 4100 4150 4200 4250 4300

Apr 33 123½ 21 162½ 13 204½ 8½ 250 6½

May

Calls 5 Puts 25 Settlement prices and volumes are taken at 4.30pm.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday March 18 1994

Printing, Paper & Pckg	+16.93	FT-SE Mid 250	+1.96	Food Manufacturers	-4.94
Engineering, Vehicles	+11.35	Support Services	+1.03	Consumer Goods	-5.15
Leisure & Hotels	+11.03	Health Care	+0.36	Property	-7.63
Building & Construction	+9.47	Services	-0.82	FT-SE 100	-5.86
Engineering	+9.33	Mineral Extraction	-1.11	Electricity	-6.99
FT-SE SmallCap ex IT	+9.13	Transport	-1.28	Household Goods	-7.67
Media	+8.47	Spirits, Wines & Ciders	-1.71	Retailers, General	-9.93
Extractive Industries	+7.38	Non-Financials	-1.78	FT Gold Mines Index	-10.18
FT-SE SmallCap	+7.13	Electronic & Elec Equipmt	-2.36	Utilities	-10.39
Gen Manufacturing	+6.46	Breweries	-3.11	Gas Distribution	-10.42
Chemicals	+6.45	Oil Integrated	-3.13	Insurance	-10.45
Diversified Inds	+6.14	FT-SE-A All-Share	-3.40	Water	-10.54
Distributors	+4.78	FT-SE-A 350	-4.13	Financials	-10.84
Oil Exploration & Prod	+4.38	Retailers, Food	-4.53	Merchant Banks	-12.05
Building Materials & Mchts	+4.22	Life Assurance	-4.84	Telecommunications	-12.81
Textiles & Apparel	+3.93	Pharmaceuticals	-4.70	Banks	-14.11
FT-SE Mid 250 ex IT	+2.87	Investment Trusts	-4.72	Tobacco	-14.81

FT-SE Actuaries Share Indices — The UK Series

	Mar 18	Day's chge%	Mar 17	Mar 16	Mar 15	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		1993/94 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3218.1	-1.2	3255.7	3242.9	3267.4	2900.1	3.76	3.96	20.32	23.12	1189.06	3520.3	2/2/94	2737.6	19/1/93	3520.3	3/2/94	986.9	23/7/84
FT-SE Mid 250	3865.6	-0.5	3886.6	3890.4	3902.5	3154.7	3.17	5.04	24.40	14.80	1407.87	4152.8	3/2/94	2676.3	13/1/93	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3885.8	-0.4	3902.2	3906.0	3918.2	3175.5	3.26	5.30	23.04	14.40	1410.44	4180.7	19/1/94	2674.8	1/1/93	4180.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1632.7	-1.0	1649.4	1644.8	1656.5	1436.5	3.63	5.75	21.15	10.45	1234.21	1778.3	2/2/94	1348.7	19/1/93	1778.3	2/2/94	664.5	14/1/86
FT-SE SmallCap	2001.51	-0.4	2008.99	2009.70	2011.95	1572.05	2.77	3.72	33.50	3.11	1523.09	2084.58	4/2/94	1377.88	4/1/93	2084.58	4/2/94	1363.19	31/12/92
FT-SE SmallCap ex Inv Trusts	1983.59	-0.3	1988.78	1988.47	1992.16	1581.93	2.90	4.10	31.00	7.55	1513.55	2068.72	4/2/94	1388.08	4/1/93	2068.72	4/2/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1624.88	-1.0	1640.76	1636.52	1646.57	1421.34	3.56	5.60	21.71	10.13	1249.79	1784.11	2/2/94	1330.19	19/1/93	1784.11	2/2/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

	Mar 18	Day's chge%	Mar 17	Mar 16	Mar 15	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993/94 High		1993/94 Low		Since Compilation High		Since Compilation Low	
10 MINERAL EXTRACTION(18)	2535.01	-0.7	2553.63	2519.82	2531.12	2145.60	3.59	4.01	25.29	27.63	1002.51	2693.38	9/2/94	1850.00	19/1/93	2693.38	9/2/94	980.20	19/2/86
12 Extractive Industries(4)	3989.56	+0.2	3980.04	3844.64	3968.30	3130.60	3.25	4.46	26.59	26.93	1083.04	4107.55	3/2/94	2801.20	7/5/93	4107.55	2/2/94	1000.00	31/12/85
15 Oil, Integrated(3)	2436.12	-1.8	2480.26	2433.87	2433.11	2024.18	3.70	5.12	24.35	31.69	984.55	2615.73	9/2/94	1718.90	19/1/93	2615.76	9/2/94	982.30	20/2/86
16 Oil Exploration & Prod(11)	1840.48	-0.6	1851.71	1836.16	1849.94	2113.30	3.24	3.90	32.93	0.00	1043.84	2143.18	8/3/93	1686.46	15/1/93	3844.10	6/8/90	650.30	28/7/86
20 GEN MANUFACTURERS(284)	2152.84	-0.7	2167.50	2159.87	2174.76	1734.90	3.47	4.00	32.15	11.18	1071.83	2232.88	2/2/94	1694.60	15/1/93	2232.88	2/2/94	986.10	14/1/86
21 Building & Construction(31)	1431.44	-1.1	1448.00	1451.68	1452.93	944.30	2.49	3.43	37.23	2.61	1087.08	1569.18	8/2/94	794.40	20/1/93	2125.60	16/7/87	538.30	9/9/92
22 Building Matls & Merchs(30)	2278.21	-0.4	2284.26	2291.38	2302.06	1509.20	3.12	2.74	49.35	1.62	1043.22	2383.22	24/1/94	1368.30	12/1/93	2383.22	24/1/94	954.80	9/9/92
23 Chemicals(20)	2477.96	-0.4	2486.69	2462.86	2473.50	2165.90	3.73	4.57	27.51	20.00	1075.43	2578.05	4/2/94	1899.20	15/1/93	2518.05	4/2/94	978.50	14/1/86
24 Diversified Industrials(16)	2150.21	-0.9	2170.74	2152.07	2173.46	1866.30	4.27	4.28	30.68	24.90	1077.23	2231.57	2/2/94	1758.20	19/1/93	2231.57	2/2/94	964.80	21/1/86
25 Electronic & Elect Equip(34)	2055.69	-1.8	2088.71	2096.20	2119.84	1664.00	3.57	6.21	19.76	2.50	977.58	2283.38	4/2/94	1653.18	13/1/93	2283.78	4/2/94	896.80	29/9/86
26 Engineering(72)	1959.83	-0.5	1970.14	1968.93	1971.92	1467.30	2.79	3.01	44.76	6.73	1088.09	2011.17	2/2/94	1257.50	1/1/93	2011.17	2/2/94	962.80	10/11/87
27 Engineering, Vehicles(12)	2369.01	+0.2	2364.14	2341.83	2350.27	1840.60	4.40	3.13	42.53	20.61	1125.61	2516.71	2/2/94	1687.00	19/5/93	2516.71	2/2/94	995.60	14/1/86
28 Printing, Paper & Pckg(27)	3045.61	+0.1	3043.36	3017.68	3032.60	2313.20	2.68	4.09	29.58	1.60	1170.14	3045.61	18/3/94	2148.10	19/1/93	3045.61	18/3/94	973.20	14/1/86
29 Textiles & Apparel(22)	1887.64	-1.6	1917.67	1923.67	1877.43	1912.80	3.57	6.11	20.33	1.56	1040.31	2024.96	4/2/94	1761.80	14/7/93	2325.00	2/10/87	980.60	24/9/90
30 CONSUMER GOODS(93)	2853.17	-0.7	2872.36	2862.42	2885.47	2881.80	4.04	7.11	16.58	19.06	958.29	3072.80	4/1/93	2558.10	21/7/93	3660.00	22/12/92	967.80	14/1/86
31 Breweries(17)	2233.23	-0.7	2239.99	2243.82	2251.04	2172.90	4.18	7.72	15.67	11.01	974.60	2464.52	18/1/94	1915.80	4/6/93	2464.52	18/1/94	882.00	14/1/86
32 Spirits, Wines & Ciders(10)	3024.00	-0.5	3039.86	3061.08	3132.32	2893.00	3.57	6.06	19.27	19.93	990.69	3225.93	24/1/94	2579.40	10/11/93	3467.00	11/5/92	967.50	14/1/86
33 Food Manufacturers(23)	2338.30	-0.9	2359.83	2344.50	2348.11	2468.90	4.05	7.42	16.00	11.13	956.21	2600.64	19/1/94	2137.80	21/7/93	2600.64	19/1/94	946.18	14/1/86
34 Household Goods(12)	2643.87	-0.0	2668.16	2672.18	2714.29	2375.20	3.25	7.60	16.37	1.07	923.77	2894.14	18/2/94	2156.29	21/5/93	2894.14	18/2/94	827.10	21/1/86
36 Health Care(20)	1771.60	-0.8	1782.54	1776.18	1784.42	1804.40	3.11	5.67	21.40	2.98	1005.07	1908.13	19/1/94	1657.96	12/11/93	2047.40	28/9/87	872.88	21/1/86
37 Pharmaceuticals(10)	3106.17	-0.7	3127.80	3072.92	3067.38	3124.18	4.05	7.15	16.34	35.85	965.99	3792.89	4/1/93	2694.70	21/7/93	4188.90	14/1/92	953.70	13/1/86
38 Tobacco(1)	3955.45	-0.3	3968.04	4005.79	4077.18	4147.30	5.33	8.35	14.07	0.00	851.65	4738.88	29/12/93	3571.80	19/5/93	4738.82	29/12/93	982.00	9/1/86
40 SERVICES(216)	2073.33	-0.9	2081.27	2092.23	2101.60	1828.00	2.85	5.37	22.63	8.06	997.39	2207.77	19/1/94	1739.60	7/5/93	2207.77	19/1/94	944.80	23/1/86
41 Distributors(31)	3102.08	-0.1	3103.78	3181.03	3095.29	2599.10	2.75	4.86	24.86	6.57	1050.28	3319.33	2/2/94	2346.60	20/1/93	3319.33	2/2/94	988.50	21/1/86
42 Leisure & Hotels(22)	2307.39	-0.9	2327.55	2313.05	2325.66	1777.20	3.11	4.40	27.35	13.26	1118.94	2380.82	17/2/94	1682.30	13/5/93	2380.82	17/2/94	975.40	21/1/86
43 Media(37)	3189.62	-0.8	3214.72	3232.57	3261.09	2227.50	1.99	4.12	28.89	14.30	1090.83	3348.11	17/2/94	2140.30	25/1/93	3348.11	17/2/94	976.29	9/1/86
44 Retailers, Food(17)	1646.17	----	1646.67	1647.42	1654.80	2119.90	3.75	9.70	12.80	1.93	955.97	2238.20	28/1/93	1486.80	11/11/93	2238.29	28/1/93	917.40	21/1/86
45 Retailers, General(43)	1726.58	-1.5	1753.11	1751.73	1758.49	1535.00	2.76	5.37	23.38	4.34	903.36	1934.24	29/12/93	1427.29	11/2/93	1834.24	29/12/93	870.18	9/12/88
48 Support Services(40)	1695.39	-1.2	1716.64	1731.88	1738.60	1550.20	2.39	6.76	18.88	1.96	1011.73	1888.43	2/2/94	1425.40	1/1/93	1888.43	2/2/94	939.06	1/2/91
49 Transport(16)	2578.23	-0.6	2592.99	2588.55	2594.23	2101.60	3.29	3.51	33.01	5.82	990.11	2805.98	3/2/94	1912.80	13/1/93	2805.98	3/2/94	960.00	14/1/86
51 Other Services & Business(12)	1213.51	-0.7	1222.48	1228.44	1226.60	1333.30	3.91	3.56	39.68	0.97	1021.47	1400.88	8/2/93	1128.01	13/12/93	2458.30	16/7/87	983.10	14/1/86
60 UTILITIES(38)	2402.25	-1.4	2435.82	2431.49	2449.18	2137.70	4.18	7.26	17.01	5.80	890.44	2762.33	2/2/94	1985.00	21/1/93	2762.33	2/2/94	802.50	3/10/86
62 Electricity(17)	2321.42	-1.0	2344.51	2334.69	2337.94	1737.30	3.57	10.67	11.52	15.85	937.58	2619.12	2/2/94	1529.70	3/2/93	2619.12	2/2/94	895.30	7/1/91
64 Gas Distribution(2)	2027.54	-2.4	2076.38	2068.54	2085.73	1967.60	8.90	‡	‡	0.00	895.82	2376.97	16/12/93	1827.80	13/1/93	2376.30	15/12/93	994.80	9/12/86
66 Telecommunications(4)	2101.79	-1.6	2134.80	2130.20	2152.93	1962.50	3.76	5.76	21.20	0.09	873.94	2461.20	29/12/93	1812.06	21/1/93	2461.20	29/12/93	802.50	3/10/86
68 Water(13)	1863.16	-0.8	1874.74	1888.88	1904.13	1837.80	4.96	13.64	8.62	3.48	896.44	2126.79	3/2/94	1599.50	21/1/93	2126.79	3/2/94	924.70	1/5/90
69 NON-FINANCIALS(629)	1751.66	-0.8	1766.55	1760.80	1772.13	1558.19	3.57	5.68	21.60	8.87	1209.19	1870.36	2/2/94	1414.32	19/1/93	1870.36	2/2/94	83.48	13/12/74
70 FINANCIALS(104)	2330.37	-1.5	2366.18	2365.74	2379.38	1906.70	3.81	6.07	19.79	20.00	905.16	2737.13	4/2/94	1889.70	13/1/93	2737.13	4/2/94	972.20	23/1/86
71 Banks(10)	2970.85	-2.1	3036.00	3047.71	3062.39	2291.60	3.62	6.37	18.61	55.86	878.59	3601.55	4/2/94	2040.40	13/1/93	3601.55	4/2/94	956.60	23/1/86
73 Insurance(16)	1359.21	-0.2	1361.46	1353.44	1357.13	1371.18	4.89	8.02	14.59	13.32	906.34	1593.51	24/1/94	1261.50	19/1/93	1624.20	28/10/88	870.90	25/8/92
74 Life Assurance(6)	2595.71	-0.7	2614.13	2566.86	2555.40	2605.60	4.55	4.96	28.86	2.91	855.03	2921.37	19/1/94	2181.50	13/1/93	2921.37	19/1/94	967.70	23/1/86
75 Merchant Banks(9)	3001.53	-2.8	3087.93	3081.97	2989.72	2429.80	3.18	7.86	15.52	11.44	883.39	3761.29	2/2/94	1884.10	1/1/93	3761.29	2/2/94	982.80	27/1/86
77 Other Financial(25)	2021.30	-0.5	2032.24	2035.93	2033.18	1375.70	3.21	5.53	22.69	12.37	1058.66	2279.35	4/2/94	1188.80	13/1/93	2279.35	4/2/94	866.30	1/10/90
79 Property(39)	1690.99	-0.7	1703.06	1705.75	1717.54	1243.50	3.63	3.31	40.07	2.80	943.86	1888.66	4/2/94	986.80	5/1/93	2132.40	5/9/89	718.40	16/9/92
80 INVESTMENT TRUSTS(116)	2886.45	-1.4	2928.12	2930.43	2936.63	2247.80	2.21	1.76	56.11	14.80	958.78	3184.31	2/2/94	2061.30	11/1/93	3184.31	2/2/94	977.20	14/1/86
89 FT-SE-A ALL-SHARE(852)	1624.88	-1.0	1640.76	1636.52	1646.57	1421.34	3.56	5.60	21.71	10.13	1249.78	1784.11	2/2/94	1330.19	19/1/93	1784.11	2/2/94	61.92	13/12/74

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3245.8	3238.1	3238.0	3225.9	3218.4	3205.9	3202.1	3204.8	3218.4	3246.5	3197.7
FT-SE Mid 250	3878.9	3870.3	3862.0	3863.8	3860.9	3858.3	3855.1	3858.4	3863.8	3878.9	3854.5
FT-SE-A 350	1644.8	1641.0	1639.3	1635.5	1632.4	1627.3	1625.6	1626.9	1631.9	1645.1	1623.7

Time of FT-SE 100 High 8.31 am Low 1.34 pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1371.8	1366.4	1365.5	1363.5	1361.4	1359.6	1358.8	1358.8	1358.9	1359.5	1380.4	-20.9
Pharmaceuticals	3096.5	3090.8	3092.8	3077.3	3073.9	3066.6	3066.3	3061.7	3071.4	3075.0	3096.6	-21.6
Water	1862.3	1854.6	1856.6	1857.0	1853.6	1850.2	1849.5	1851.3	1859.1	1858.6	1870.3	-11.7
Banks	3025.5	3012.4	3002.2	3004.5	3001.4	2985.8	2984.6	2987.4	3002.1	3007.2	3073.2	-66.0

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Water	29/12/89	1000.00	UK Gilts Indices	31/12/75	100.00
FT-SE SmallCap	31/12/92	1363.79	FT-SE-A 350	31/12/85	682.94	Non-Financials	10/4/62	100.00	Index-Linked	30/4/82	100.00
FT-SE SmallCap ex Inv Trs	31/12/92	1363.79	FT-SE 100	31/12/83	1000.00	FT-SE-A All-Share	10/4/62	100.00	Debs and Loans	31/12/77	100.00
FT-SE Mid 250	31/12/85	1412.60	Electricity	31/12/90	1000.00	All Other	31/12/85	1000.00			

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-SE Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: In Shops (79).

Recovery hopes lift Wellcome

Shares in Wellcome, the pharmaceuticals group, experienced a sharp turnround in late trading as dealers said forecasts were heing moved higher on expectations of a pick up in the company's fortunes.

The optimism focused on sales of Wellcome's headline product Zovirax, which is sold as a treatment for shingles and herpes. Sales growth for the drug had dwindled to 7 per cent last year, hut the latest prescription data from the US has suggested it has recovered to around 13 per cent. This led the more pessimistic analysts to adjust their figures – one broker apparently raised its full-year forecast by £20m to £720m ahead of first-half results on Thursday. The figure is at the higher end of a wide range from £680m to £750m. First-half figures are predicted to come in at between £340m and £367m.

The share price had languished by 14p in early trading, but recovered to close only 3½ lower at 627½p.

Allied tumbles

Shock news that Allied Leisure had made heavy interim losses, passed its dividend and lost its chief executive had a predictably shattering effect on the shares. At the day's worst they had slumped 53 per cent, before firming slightly to close a net 16 off at 27p. As well as posting interim losses of £16.12m, the group also took a £14.23m restructuring charge. It was announced after the market had closed that the resigning chief executive Mr Richard Carr had sold 1.5m shares.

The decline in Allied's two main areas of business, ten-pin bowling and nightclubs, gave rise to worries over First Leisure, although analysts were quick to point out that while sharing the same markets the company differed in management and style. First Leisure slid 15 before recovering to end 8 off at 313p.

A rumour early in the session that the George Michael versus Sony case had been settled out of court – later denied by all parties concerned – unsettled music and rental group Thorn EMI. The shares retreated 22 to 1122p.

Hotel concern Forte continued strong witb sentiment again underpinned hy its potential purchase of a French botel cbain, stronger links with the Savoy Gronp and an improving UK botel market. Tbe sbares added 3 to 260p, Savoy 'A' gained 35 to 1115p.

Continued crude price weakness and the forthcoming OPEC meeting kept the pressure on oil stocks, although Enterprise – down 2 to 411p – and BP – off 1½ at 367½ – were resilient. A successful drilling report lifted Exploration Company of Louisiana 13 to 79p, while Goal Petroleum rose 2 to 67p after boosting its year-end dividend from 1.4p to 1.45p. Ms Irene Himona at SGST said: "I think people are treating the oil price as a temporary aberration which will recover."

Lasmo, expected to report reduced tosses next Wednesday, fell 2 to 130p.

Standard Chartered rose 22 to 1160p. Swiss Bank is said to have been a keen buyer over the past few days and other brokers have focused on the forthcoming share split whicb is expected to attract further support. The bank, whicb is heavily exposed to the Hong Kong market, rose in spite of o 380-point falt in the Hang Seng index, whicb belped drive HSBC down 37 to 787p and Cable & Wireless 11 to 441p.

Barclays held up well, with the market regarding it as a strong recovery stock. The shares fell a penny to 552p.

S.G. Warburg felt 19 to 765, hit by the weakness in bond prices and some profit-taking.

A profits warning from double-glazing group Anglian for the year to April pusbed the sbares down 28 to 287p. Mr Malcolm Brown at agency broker James Capel downgraded his profit forecast by £1m to £25.5m. However, Caradon, the second biggest player in the area held steady at 396p.

Milk gronp Unigate was lifted by a buy recommendation from S.G. Warburg. With the shares currently yielding some 6 per cent, the hroker said the stock looked attractive for income funds. The shares bounced 7 to 360p. Unitever was said to be undone by a large line of unplaced stock, the shares trailing 23 to 1058p.

McCarthy & Stone put on a penny at 73p after announcing a £5.5m rights issue. RMC improved 10 to 980p on thin trading: a handful of buyers found the market short.

Amersham International added 29 at 1090p. There was vague talk of a share split hut it transpired that the price was squeezed up hecause dealers were sbort of stock.

Mirror Gronp Newspapers added a penny at 194p as the Monopolies and Mergers Commission gave the go-ahead for the joint takeover of the Independent newspaper.

Public relations group Shandwick rose 3¼p to 59¼p, in spite of asking sharebolders for £18.9m via a one-for-two rights issue. S.G. Warburg betieves that while the ex-rights price of the stock is 54.5p, the shares deserve a market rating which would put tbem 10p higher.

Engineering group Lucas Industries closed 4 ahead at 219p, after announcing that Mr George Simpson, formerty cbairman of Rover, was to begin his new role as chief executive at the begining of April, a month eartter than anticipated. The group reports interim figures on Monday, and a broker's recommendation boosted the stock earlier this week.

Machinary group Molins gained 9 to 558p, after reporting an increase in profits and an improved dividend. Profits improved hy £7.8m to £49.7m and the dividend was raised by 1.4p to 15.4p.

Motor dealer Lex Service ran into profit-takers and tbe shares eased 4 to 535p. Bargain bunters helped engineering and aerospace company TI resist the poor market trend. The shares closed a penny ahead at 386p.

Environmental company Rentokil was in the doldrums following disappointing full-year figures and profit downgradings by several brokers. The shares relinquisbed 7½ to 241p.

Eastern Electricity held steady with a slide of 2 to 630p. After the market had closed, the company announced that it had purchased 250,000 of its shares at 629p each.

The recent series of successful flotations continued yesterday with the market debut of Partco, the independent auto-products distributor, wbose shares, offered at 200p, closed at 224p.

New Footsie entrant De La Rue gained 22 to 1021p on the inclusion.

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (41).

GILTS (1) Treas. 2pc IL 1994, BANKS (1) Sumitomo Trust & Bk., BREWERIES (1) Gibbs Mew, CHEMICALS (2) Hoechst, Porvair, DISTRIBUTORS (1) Headlam, ELECTRNC & ELECT EQUP (2) Motorola, Nokia Corp Prf., ENGINEERING (4) Alvis, Clyde Blowers, Linread, Renold, EXTRACTIVE INDS (4) Anglo Amer. Coal, Int'l. Musto, NSM, Watts Blake, HEALTH CARE (1) Amersham Intl., HOUSEHOLD GOODS (1) Delaney, INSURANCE (2) Sedgwick, Trade Indemnity, INVESTMENT TRUSTS (1) General Consol. Cap., INVESTMENT COMPANIES (1) Korea Liberal Wnts., LEISURE & HOTELS (3) Crockfords, Parkdean Leisure, Savoy, MEDIA (4) Hodder Headline, Holmes Marchant, Phonelink, Shandwick, OIL EXPLORATION & PROD (1) Ohio Resources, OTHER FINANCIAL (1) Broadcastle, PRTNG, PAPER & PACKG (6) De La Rue, Portals, Sappi, Smith (DS), Tinsley Robor, RETAILERS, GENERAL (1) Olver, SUPPORT SERVS (2) Kalamazoo, MITIE, AMERICANS (1) Gillette, CANADIANS (1) Rio Algom.

NEW LOWS (29).

GILTS (14) BUILDING & CNSTRN (1) Westminster Scaffolding, BLDG MATLS & MCHTS (1) Needler, ELECTRNC & ELECT EQUP (1) Rotaprint, INSURANCE (1) Abtrust Lloyds Insce., INVESTMENT TRUSTS (5) Abtrust Emrg. Economies, Do Wnts., Friends Prov. Ethical, LEISURE & HOTELS (1) Allied Leisure, MEDIA (1) Gold Greenlees Trott, OTHER FINANCIAL (1) Energy Capital, OTHER SERVS & BUSNS (1) Shanks & McEwan, PROPERTY (1) Chelsfield, SUPPORT SERVS (2) Learmonth & Burchett, Salvesen (C), TEXTILES & APPAREL (1) Haggas (J).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises		
Britannic Assnce	450	+ 16
Campbell & Armst	50	+ 5
Cooper (F)	95	+ 4
Expl Co Louis	79	+ 13
Gresham Telecomp	89	+ 7
Hunterprint	27	+ 3
Linread	148	+ 8
Porvair	333	+ 16
Quality Software	421	+ 13
Shandwick	59½	+ 3½
Specialeyes	14	+ 3
Vendome Uts	426	+ 12
Falls		
Allied Leisure	27	- 16
Anglian Group	287	- 28
Davenport Vernon	132	- 20
HSBC (75p shs)	787	- 37
Needler	36	- 5
Schroders	1169	- 54
Sherwood Group	151	- 19
Telspec	261	- 12
Travis Perkins	354	- 13
Warburg (SG)	765	- 19

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
61 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	197.0	169.3	178.2	+0.70	0.00
AIB Grofund Equity	6	241.2	243.7	257.8	-0.90	1.89
AIB Grofund Euro	5	200.5	202.3	212.0	-2.80	0.00
AIB Grofund East (Selected)	3	116.1	117.5	121.8	-1.80	1.09
AIB Grofund Gilt	3	77.70	77.71	80.72	-0.01	4.94
AIB Grofund Japan	0	[illegible]	187.3	197.2	-0.80	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	474.6	476.2xd	506.7	-5.1	2.26
General Acc	5	531.3	532.8xd	567.0	-6.7	2.26
UK Growth Acc	6	354.0	360.4	383.5	-4.4	2.45
UK Growth Inc	6	249.3	252.4	268.6	-3.0	2.45
Higher Inc Acc	6	686.0	685.6	729.1	-7.6	3.41
Higher Inc Inc	6	392.8	398.0	423.5	-4.6	3.41
Gilt/Fxd Int Acc	5½	188.5	188.5xd	196.9	-2.2	5.92
Gilt/Fxd Int Inc	5½	93.13	93.73xd	98.38	-1.4	5.92
Nth America	5	251.6	264.1	281.0	+2.8	0.00
Far East	6	357.7	357.7	380.6	-2.4	0.00
Europe	6	272.8	275.1xd	292.7	-3.5	0.80
Brit Exmpt	6	71.46	71.46	76.03	-0.9	2.60
Brit Fxdints Acc	6	99.60	100.9xd	107.4	-1.1	4.17
Brit Fxdints Inc	6	74.88	75.72xd	80.56	-0.79	4.17
Global Opps	5	85.74	86.83	92.40	-0.12	0.00
Balanced Acc	9	53.70	54.36xd	57.84	-0.57	2.37
Balanced Inc	6	53.22	53.88xd	57.32	-0.57	2.37
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
[illegible]						

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Greece Fund Ltd

John Govett Management (Jersey) Ltd

Cresvale Group (u)

Nomura Global Fund (u)

Daiwa Japan Gem Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Scudder, Stevens & Clark - Contd.

Cragem International Bank

Cresvale (Guernsey) Ltd

Crystal Corporation N.V.

DWS Deutsche Ges. F. Wertpapiersp

Infinity Capital Corporation

International Fund Administration Ltd

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Mar 18 / US$) (3 pm)

[illegible]

CANADA (Mar 18 / Can. $) (3 pm)

[illegible]

EUROPE

AUSTRIA (Mar 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 18 / Frs.)

[illegible]

DENMARK (Mar 18 / Kr)

[illegible]

FINLAND (Mar 18 / Mks)

[illegible]

FRANCE (Mar 18 / Frs.)

[illegible]

GERMANY (Mar 18 / Dm.)

[illegible]

ITALY (Mar 18 / Lire)

[illegible]

NETHERLANDS (Mar 18 / Fls.)

[illegible]

NORWAY (Mar 18 / Kroner)

[illegible]

SPAIN (Mar 18 / Pts.)

[illegible]

SWEDEN (Mar 18 / Kroner)

[illegible]

SWITZERLAND (Mar 18 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Mar 18 / Rand)

[illegible]

PACIFIC

JAPAN (Mar 18 / Yen)

[illegible]

AUSTRALIA (Mar 18 / Aus$)

[illegible]

HONG KONG (Mar 18 / H.K.$)

[illegible]

MALAYSIA (Mar 18 / M/R)

Boustd	4.84	-.09	6.90	2.40	1.9	...
Genting	26.50	-1.50	[illegible]	13.50	1.0	...
HLCred	22	+1	21	6.90	0.4	...
MalBan	14.30	-.20	19.80	5.70	1.9	...
MalUn	4.10	-.80	[illegible]	2.40	1.7	...
MulPurp	4.64	-.16	8.30	1.95	0.3	...
Pera	4.40xd	-.10	[illegible]	1.40	1.8	...
SimeD	6.25	-.10	8.40	4.18	3.2	...

SINGAPORE (Mar 18 / S$)

DBS	11.18	-.20	12.70	8.90	0.7	...
Fr&Nv	13.30	-1.30	19.00	10	0.8	...
GdFlAs	2.00	-.20	3.50	2.00	3.3	...
HawPar	1.77	-.02	4	2.00	3.4	
Inchcp	5.40	-.10	7.15	5.35	1.9	.
Keppel	9.65	+.15	12.10	6.40	1.2	...
OCBC	12.80		18.70	9.45	0.6	...
OUB	7.45	-.29	9.05	4.88	9.0	...
S Air F	11.20	-.00	14.10	8.45	2.0	...
SPress	14	-.40	10	6.40	2.1	...
S'pre L	3.42	-.17	5	3.40	...	...
StraitT	3.64	-.08	4.34	2.88	3.6	...
TatLee	4.18	-.22	5.30	2.45	1.8	...
UOB	9.90	-.10	12.10	5.85	1.0	...

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1993. z Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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INDICES

	Mar 18	Mar 17	Mar 16	1993/4 High		Low	
Argentina							
General (29/12/77)	(u)	20645.77	20522.41	25470.40	16/2/94	12167.88	8/3/93
Australia							
All Ordinaries (1/1/80)	2163.5	2164.4	2173.6	2340.60	3/2/94	1496.00	13/1/93
All Mining (1/1/80)	1028.5	1029.9	1040.5	1136.10	3/2/94	584.70	13/1/93
Austria							
Credit Aktien (30/12/84)	446.83	449.16	448.75	460.88	2/2/94	300.28	14/1/93
Traded Index (2/1/91)	1163.89	1169.79	1169.61	1222.25	1/2/94	712.08	15/1/93
Belgium							
BEL20 (1/1/91)	1511.74	1516.11	1512.39	1542.65	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	13038.0	14084.0	14084.00	18/3/94	71.47	4/1/93
Canada							
Metals Mins ♦ (1975)	(u)	3839.80	3788.61	3838.80	17/3/94	2743.31	21/1/93
Composite ♦ (1975)	(u)	4543.30	4525.60	4581.30	1/2/94	3275.80	21/1/93
Portfolio §§ (4/1/83)	(u)	2130.33	2125.77	2182.89	1/2/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4376.5	4372.3	4867.80	4/2/94	2812.59	10/5/93
Denmark							
Copenhagen SE (3/1/83)	394.31	397.45	399.58	415.79	2/2/94	281.90	4/1/93
Finland							
HEX General (28/12/90)	1866.0	1876.0	1870.9	1972.08	4/2/94	843.10	22/1/93
France							
SBF 250 (31/12/90)	1491.38	1504.40	1501.47	1585.20	2/2/94	1114.19	28/1/93
CAC 40 (31/12/87)	2221.34	2247.84	2242.71	2365.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien (31/12/58)	823.29	826.60	829.75	855.67	4/1/94	588.92	14/1/93
Commerzbank (1/12/53)	2355.80	2365.30	2374.30	2459.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)	2155.61	2175.80	2172.73	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE (31/12/80)	1080.91	1089.68	1087.73	1194.58	18/1/94	687.72	5/1/93
Hong Kong							
Hang Seng (31/7/64)	9132.31	9613.13	9720.61	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens (1979)	3801.8	3792.9	3791.9	4287.90	28/2/94	2100.67	23/4/93
Indonesia							
Jakarta Comp (10/8/82)	508.83	509.85	(c)	612.89	5/1/94	273.31	5/1/93
Ireland							
ISEQ Overall (4/1/88)	1909.99	(c)	1916.04	2062.10	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	674.52	680.0	676.75	688.03	18/2/94	446.33	6/1/93
MIB General (4/1/93)	1077.0	1080.0	1082.0	1102.00	18/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	20469.45	20592.16	20677.77	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	302.69	303.12	304.03	308.84	10/11/93	248.84	29/11/93
Topix (4/1/68)	*1647.24*	*1648.53*	*1653.27*	*1658.67*	*3/9/93*	*1250.08*	*25/1/93*
2nd Section (4/1/68)	2212.10	2221.32	2213.77	2384.97	7/6/93	1651.72	26/1/93
Malaysia							
KLSE Comp (4/4/86)	1007.06	1027.20	(c)	1314.46	3/1/94	614.28	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2396.67	2382.23	2881.17	8/2/94	1504.10	25/2/93
Netherland							
CBS TtlRtnGenEnd 83)	432.5	437.7	437.4	464.90	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	280.3	283.0	283.4	294.80	31/1/94	186.50	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2293.18	2285.77	2253.24	2438.84	3/2/94	22.09	22/2/94
Norway							
Oslo SE(Ind)(2/1/83)	1172.31	1182.97	1182.80	1211.10	28/2/94	668.93	27/1/93
Philippines							
Manila Comp (2/1/85)	2657.98	2713.31	2642.90	3308.37	4/1/94	1270.68	4/1/93
Portugal							
BTA (1977)	3169.3	3156.1	3135.8	3228.60	18/2/94	1608.20	14/1/93
Singapore							
SES All-S'pore (2/4/75)	543.84	558.12	565.67	641.81	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	2045.0▼	1959.0	1983.0	2331.90	4/1/94	775.00	5/1/93
JSE Ind. (28/9/78)	6141.0▼	6108.0	6058.0	6141.00	18/3/94	4333.00	19/4/93
South Korea							
KoreaCompEx(4/1/80)**	893.07	898.55	908.53	974.28	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	337.20	338.97	340.17	358.31	31/1/94	215.80	4/1/93
Sweden							
AffarsvarldnGen (1/2/37)	1500.93	1510.00	1525.30	1603.90	31/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1334.94	1348.71	1347.82	1423.34	31/1/94	804.80	11/1/93
SBC General (1/4/87)	998.45	1008.77	1008.04	1093.29	31/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	5274.61	5397.06	5331.34	6454.52	6/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1246.84	1266.64	1293.07	1753.73	4/1/94	818.84	1/6/93
Turkey							
Istanbul Comp.Jan 1986)	14920.0	15130.0	15127.3	22883.80	13/1/94	3958.53	1/1/93
WORLD							
MS Capital Int (1/1/70)§	620.7*	627.2	626.5	641.90	1/2/94	468.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1445.51	1461.88	1466.28	1540.19	31/1/94	1083.02	13/1/93
Euro Top-100 (26/6/90)	1244.27	1257.42	1258.99	1311.01	2/2/94	882.73	13/1/93
JCapelDrgns (31/12/88)	(u)	312.70	317.85	395.19	5/1/94	169.92	4/1/93
Barings Emerg.(7/1/92)	160.44	162.04	161.29	182.72	14/2/94	99.81	4/2/93

** Sat Mar 12: Taiwan Weighted Price 5271.10; Korea Comp Ex 903.47. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index. Mar 18 - 2140.39 -20.08

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2251.0	2233.0	-24.0	2251.0	2211.0	25,779	39,448
Apr	2260.5	2243.5	-24.0	2262.0	2226.0	1,128	4,923
May	2258.0	2247.0	-24.0	2258.0	2231.0	1,034	5,833

Open interest figures for previous day.

US INDICES

Dow Jones	Mar 17	Mar 16	Mar 15	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3865.14	3848.15	3849.59	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	102.29	102.35	102.17	108.77 (15/10/93)	102.17 (15/3/94)	108.17 (15/10/93)	54.99 (1/10/81)
Transport	1747.53	1752.38	1734.50	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	207.82	207.42	207.83	256.46 (21/8/93)	207.03 (15/3/94)	256.40 (21/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3891.34 (3879.53) Low 3821.66 (3819.04) (Theoretical♦)
Day's high 3865.14 (3864.29) Low 3843.26 (3838.92) (Actual♦)

Standard and Poors	Mar 17	Mar 16	Mar 15	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	470.90	469.42	467.01	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	552.20	549.78	547.65	560.98 (2/2/94)	496.48 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.23	44.41	43.81	48.40 (25/9/93)	39.89 (8/1/93)	48.40 (25/9/93)	8.64 (1/10/74)
NYSE Comp	261.11	260.34	258.89	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	470.83	469.82	466.13	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	803.85	798.99	793.52	803.85 (17/3/94)	645.87 (26/4/93)	803.85 (17/3/94)	54.87 (31/10/72)

RATIOS

	Mar 11	Mar 4	Feb 25	Year ago
Dow Jones Ind. Div. Yield	2.81	2.82	2.62	2.96
	Mar 16	Mar 9	Mar 2	Year ago
S & P Ind. Div. yield	2.37	2.37	2.39	2.44
S & P Ind. P/E ratio	*24.58*	*24.53*	*24.34*	*26.82*

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	471.85	468.65	-2.90	471.65	468.10	71,852	178,771
Sep	471.20	470.15	-2.70	471.60	470.75	627	4,306
Dec	-	473.25	-	-	473.25	16	4,040

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Hanson Plc	7,370,100	21⅛	+⅛
US Surgical	3,626,400	20⅞	+1⅞
Telefonos	3,554,500	61⅝	-¾
Mylan Labs	3,025,700	20¾	-2⅝
ATT	2,714,000	53½	+¾
Amoco Corp	2,610,400	55¼	+¾
Time Warner	2,505,900	43	1⅛
Chrysler	2,434,900	56⅝	-1
Merck	2,356,700	31⅛	+⅛
RJR Nabisco	2,334,600	6⅝	+⅛

TRADING ACTIVITY

● Volume (million)

	Mar 17	Mar 16	Mar 15
New York SE	303.883	306.116	303.263
Amex	21.105	17.041	15.101
NASDAQ	324.267	339.006	302.080
NYSE			
Issues Traded	2,764	2,772	2,787
Rises	1,151	1,354	1,110
Falls	1,004	794	1,002
Unchanged	609	624	675
New Highs	95	89	92
New Lows	45	69	77

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

AMERICA

Interest rate worries constrain Dow

Wall Street

US stocks were constrained yesterday morning by concerns over an imminent increase in interest rates but volume was inflated by "triple-witching" expiration activity, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 1.42 higher at 3,866.84, while the more broadly based Standard & Poor's 500 was down 1.02 at 469.88. In the secondary markets, the American SE composite edged up 0.77 to 471.40, but the Nasdaq composite receded 2.03 to 801.82 after a record high the previous session.

On the NYSE, activity was spirited, with the expiration of stock futures and options on individual stocks and indices lifting the number of shares exchanged by 1 pm to 316m. That compares with 303m during Thursday's full session.

In addition to boosting volume, triple-witching activity often exaggerates the extent of the market's movement. Yesterday, however, share prices were mostly stagnant.

Investors began on a shaky note, amid speculation over the purpose of an unusual White House meeting between President Clinton and the chairman of the Federal Reserve, Mr Alan Greenspan. While the substance of their discussions was not fully revealed, the briefing served to intensify the focus on the likelihood of a second move by tha Fed to nudge up short-term rates next week, when a policy-making session is scheduled.

Equity investors managed to set aside rate worries as the morning progressed, and the bellwether blue-chip index was as much as 17 points ahead at one stage. But most of the gain gradually melted away, bringing the Dow in line with the other important indices.

Although most stocks were flat, a few sectors came into favour. Non-ferrous metal producers in particular were strong, led by Alcoa, up $1¼ at $76⅝. Phelps Dodge was $1¼ better at $58⅞ and Reynolds added $⅞ to $52½.

In banking, Citicorp dropped $1⅝ to $39⅝, even though Moody's upgraded the group's debt. The rating service said that the move reflected "the company's improving profitability".

Brazil

São Paulo added to Thursday's losses with a midsession fall of 3 per cent. Many investors were awaiting news on the restructuring of the country's $52bn debt.

The Bovespa index was down 420 at 13,518 at 1 pm.

Turnover at midday was a low $213.1m. The Bovespa index closed down 1 per cent on Thursday, having seen an earlier session high of 14,400.

Canada

Toronto remained ahead at noon, helped by buoyant golds and the triple-witching effect, in spite of weak world markets and continued interest rate uncertainty.

The TSE 300 composite index firmed 8.32 to 4,551.51 at midday in volume of 51.64m shares. Advancing issues outpaced declines 358 to 299, with 285 stocks holding steady.

EUROPE

Options expiries leave bourses marked lower

Yesterday's fall in the Eurotrack 100 accelerated in midsession. News that tha chairman of the Federal Reserve, Mr Alan Greenspan, had been called to the White House exacerbated the derivatives expiry effect, *writes Our Markets Staff.*

FRANKFURT fielded the expiry of stock and Dax future options. This inflated turnover from DM8bn to DM24.3bn but, in share price terms, it seemed to create little fuss during the official session which saw the Dax index ease just 4.84 to 2,155.61 from Thursday's post bourse close, still 2.5 per cent higher on the week.

However, the afternoon was more volatile. It saw an instant reaction to Mr Greenspan's White House call; there was nervous anticipation of the German February M3 figure next week; bunds took a deep dive and the Ibis indicated Dax dropped nearly 26 points more to 2,129.66 before recovering to close at 2,140.39.

Mr Detlev Klug, head of sales at B Metzler in Frankfurt, said that options which had been left overhanging the market, with a view to taking profits on Monday, were exercised at a known loss yesterday afternoon.

In London, derivatives traders said that investors were selling baskets of equities and buying the Dax June future; the latter closed 27½ points lower at 2,154 which, on a fair value basis (net of carrying costs), meant that the future was trading at a 12-point discount to the cash market.

AMSTERDAM weakened on options expiry as well as being unsettled by the bond market. The AEX index lost 6.18 or 1.5 per cent to 418.32, barely changed on the week.

Hoogovens fell Fl 4.60 to Fl 60.20 on reports of gloomy forecasts for its steel division. Elsewhere DSM lost Fl 2.20 to Fl 124.20, Akzo Nobel a more modest 70 cents to Fl 221.30, Unilever Fl 4.00 to Fl 205.50 and Elsevier, which reported results on Thursday that slightly disappointed some analysts, Fl 1.80 to Fl 175.60.

FT-SE Actuaries Share Indices

Mar 18 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1455.30	1457.32	1457.27	1453.72	1449.69	1444.09	1444.18	1445.51
FT-SE Eurotrack 200	1496.86	1498.52	1498.09	1492.34	1487.78	1483.08	1484.43	1485.49

THE EUROPEAN SERIES

	Mar 17	Mar 16	Mar 10	Mar 14	Mar 11
FT-SE Eurotrack 100	1461.68	1466.28	1469.35	1456.59	1431.65
FT-SE Eurotrack 200	1503.36	1504.22	1513.24	1495.08	1471.59

Base value 1000 (26/10/90); High/day: 100 - 1457.80; 200 - 1499.61 Low/day: 100 - 1443.80 200 - 1480.40.

ZURICH wilted under pressure from the expiry of Soffex futures and options and the market fell 1.5 per cent. The SMI index lost 44.2 to 2,843.5, 0.4 per cent up on the week.

Mr Mirko Sangiorgio at Bank Julius Baer commented that the market had tried to move higher early in the week, after its recent consolidation, but turned back in the absence of foreign support. Domestic investors, who had recently taken profits, were unwilling to resume buying at current levels, and he expected that the market could ease further next week.

Financials bore the brunt of the day's losses: SBC fell SFr13 or 3 per cent to SFr423 and CS Holding SFr16 or 2.5 per cent to SFr632.

MILAN saw profit-taking which left the Comit index 6.08 lower at 674.52, but 1.4 per cent higher on the week.

Mr Nicolo Braendli at Akros Sim in Milan commented that the market met resistance when the Comit index reached 680 on Thursday. Domestic investors, increasingly turning their attention to next weekend's election, were seen taking profits although foreign investors were ignoring short term political developments and were continuing to focus on the longer term economic and corporate outlook.

industrials were in retreat after their strong recent gains. Montedison fell L45 or 3.3 per cent to L1,224, Olivetti was L80 or 3.1 per cent lower at L2,525 and Fiat was down L75 to L5,034.

BCI was L94 or 1.6 per cent lower to L5,804 as small investors who picked up privatisation stock at L5,400 continued to take profits.

STOCKHOLM subsided, although the fall of 18.0, or 1.2 per cent to 1,500 in the Affärsvärlden General index left it a mere fraction lower on the week.

Banks and forestry both had a bad day. The interest rate-sensitive SE-Banken reacted to weakness in bonds with the A down SKr1.50 at SKr69; and SCA's proposed SKr1bn international equity issue left the B SKr3 lower at SKr134 although the offer will only fund part of a French transport packaging acquisition.

Written and edited by William Cochrane, John Pitt and Michael Morgan

SOUTH AFRICA

Gold shares were resilient, although dealers were unable to find any fresh news to stimulate buying. The gold index rose 86 or 4.4 per cent to 2,045, industrials 33 to 6,140 and the overall 46 to 5,234. Anglos added R2 to R222.

Springtime stirs few signs of life in Paris

Prospects remain positive, writes **John Ridding**

Paris in the springtime, at least as far as the bourse is concerned, is showing few signs of life. The chill of February's sharp falls lingers, and the principal indices remain below their start of year levels, in spite of occasional spurts of activity over the past few weeks.

After Friday's 1 per cent fall, brought on mainly by worries of a further tightening of US monetary policy, the CAC-40 index of leading shares closed at 2,221.34, some 2 per cent below its level at the beginning of January, and well adrift of the year's high of 2,355.93 set at the start of February. The SBF120 index, a broader indicator launched last December and which incorporates the CAC-40, has followed a similar trail.

For investors and the government, which is in the midst of an ambitious privatisation programme, such uncertain progress presents a series of questions. In particular, can the market regain last year's energy – in which the CAC-40 gained 22 per cent – or does it face a protracted period of fragility?

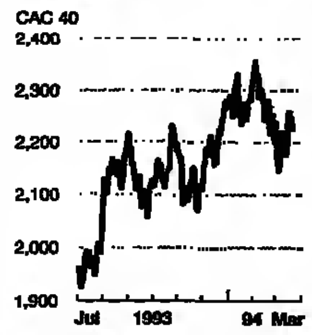
Most market analysts say proapacta remaln positive, altbough little progress is expected in the short term. "The market will probably move sideways for aoma months and we may not have tested the lows," says Mr Didier Cherpitel, managing director of J. P. Morgan in Paris. But he believes the CAC-40 will revive and attain a level of about 2,600 by the year end.

The current drift is the result of several factors. As elsewhere the bourse is suffering from the rise in yields in international bond markets and dampened hopes about the pace of interest rate cuts.

In France, such sentiments have been compounded by the cautious stance of the newly independent Bank of France which, anxious to establish its anti-inflationary credentials, has moved gingerly in cutting borrowing costs. The intervention rate, the floor for money market rates, stands at 6.1 per cent, just 0.1 percentage points below its level at the beginning of the year. "Six months ago we were forecasting short-term rates of 4 per cent by the end of the year, but that seems rather optimistic now," said one merchant banker.

A second, equally important factor is to be found in the burden of demands on the bourse. Issues of shares and convertible bonds have totalled FFr23.7bn so far this year, as a procession of companies from Paribas to Peugeot have tapped the market. The figure, which compares with FFr50.2bn for the whole of last year, is more than doubled if one includes the privatisation of Elf Aquitaine, tba country's largest industrial company.

France



Source: Datastream

"We expected a large number of share issues this year," says Mr David Harrington, French market analyst at James Capel in Paris, "but the volume in the first few months has been surprising."

The privatisation programme and private capital raising is set to continue. Unions des Assurances de Paris and AGF, a rival insurance group, are next to step up to the privatisation auction block within the next few months. But with the sale of Elf out of the way, the biggest single share issue ever launched on the market, the flood of equity is likely to ease.

"We are not going to see the level of issuea sustained through the rest of the year," says one analyst. "The government is well on its way to its target of privatisation receipts and is likely to call a halt after UAP and AGF."

If that provides one reason to predict the emergence of a more buoyant market, a second is given by the revival of the economy and a shift of investor's focus to earnings performance. "We are in a transition period at tbe moment," saya Mr Harrington. "The markets have been driven essentially by interest rates over the past 18 months, but now attention is shifting to growth and earnings."

With respect to growth, most forecasts are heading upwards. Insee, the national ststistics office, last week raised its forecast for first half GDP growth from 0.5 per cent to 0.7 per cent. Many private sector economists have upgraded annual growth forecasts from below 1 per cent to nearer the government's estimate of 1.4 per cent. Altbough most economists helleve the official target is optimistic, they point to encouraging signs in economic activity, particularly ln the consumer sector.

The brighter macroeconomic picture is dispersing some of the shadows at the corporate level. A string of companies, ranging from Lafarge Coppée, the building materials group, to LVMH, the luxury goods company and Carrefour, the food retailer, have announced improved profits and prospects over the past few weeks.

Those companies with strong overseas sales or exposure to the consumer sector are painting the most optimistic scenarios. Mr Bernard Arnault, LVMH chairman, last week forecast profits growth in excess of 20 per cent this year. The shares jumped correspondingly, gaining just under 5 per cent.

In many cases, however, there remains a strong sense of caution. "Our optimism is very relative," says Mr Réné-Yves Nanot, chairman of Ciments Français, announcing halved losses for 1993 of FFr685m last week. "Things are clearly better," says the finance director of one manufacturing group, "but I do not think we will see a powerful rebound just yet." Neither it seems, will the Paris bourse.

ASIA PACIFIC

Hong Kong tumbles by 4.1 per cent

Tokyo

The Nikkei average lost ground in spite of buying by overseas investors, as dealers adjusted their positions and companies took profits ahead of the long weekend, *writes Emiko Terazono in Tokyo.*

The lead index fell 122.71 to 20,469.45 after a high of 20,655.67 and a low of 20,410.14, a week's gain of 1.7 per cent.

The Topix index of all first section stocks fell 1.29 to 1,617.24 and the Nikkei 300 lost 0.43 to 302.69.

Volume fell to 450m shares from 571m, the moderation of the market's enthusiasm reflecting Monday's national holiday. Losers led gainers by 561 to 471 with 154 unchanged. In London, the ISE/Nikkei 50 index gained 1.94 to 1,360.72.

Participants awaited the outcome of the branch managers' meetings at the Big Four brokers – Nomura, Daiwa, Nikko and Yamaichi – and their strategies for the next business year starting next month.

The brokers themselves were lower on the spate of downward earnings revisions for the year ending March 31, announced on Thursday. Sanyo Securities, which said that it would post a pre-tax loss of Y8bn, fell Y4 to Y675.

Nomura Securities, which also revised down its earning projection due to lower-than-expected equity commissions, lost Y10 to Y2,380.

Steel companies, which have been higher on active foreign buying recently, met profit-taking by corporations. Nippon Steel lost Y6 to Y354 and Kawasaki Steel declined Y3 to Y375.

In contrast, speculative issues were higher on buying by individuals. Honshu Paper shot up Y55 to Y825 and Nippon Carbon rose Y37 to Y486.

Foreign investors sought shipbuilders, with Ishikawajima-Harima Heavy Industries up Y8 to Y463 and Kawasaki Heavy Industries rising Y16 to Y419.

In Osaka, the OSE average rose 0.88 to 22,546.04 in volume of 110.2m shares.

Roundup

A sharp fall in Hong Kong depressed much of the remainder of the region.

HONG KONG tumbled 4.1 per cent as institutions continued to sell blue chips and small investors joined in, taking the week's fall to 7.8 per cent.

The Hang Seng index fell 380.82 to 9,132.31, having pulled up from a day's low of 8,996.

One London analyst described the week's decline as the continued "flip-side" to the euphoria which saw the market surge during November and December last year, as reality continues to return to the market.

Many UK funds had managed to make their exit near the top of the market, but US investors were still selling as worries grew over the outlook for the Chinese economy. The analyst added that many investors were awaiting more realistic valuations as a trigger to start buying in the region again and that at current lower levels, Hong Kong was beginning to look more attractive.

All sectors have been hit by the bear-run with finance and property among the heaviest losers. HSBC Holdings slid HK$4 to HK$92.50, while its Hang Seng Bank unit fell HK$3 to HK$52.50. Cheung Kong lost HK$2.50 to HK$37.50 and its associate, Hutchison Whampoa, lost 75 cents to HK$30.25.

SINGAPORE encountered widespread foreign and local selling, sparked by the fall in Hong Kong, but a little bargain-hunting helped the market recoup some losses at the close. The Straits Times Industrials index fell 49.63 or 2.3 per cent to 2,104.02, for a 3.9 per cent fall over the week.

TAIWAN sustained a 2.3 per cent fall in the weighted index as pressure told on the financial sector in particular. The index fell 122.25 to 5,274.81, a decline across the week of 1 per cent, with turnover at T$45.6bn, up from Thursday's T$39bn, but still moderate.

The financial sector dipped 2.9 per cent with Chinatrust, the day's most active issue, falling T$1.50 to T$63.

SEOUL closed easier in moderate trading after brief gains were wiped out by late selling pressure, brokers said.

The suspension of trading in Namhan Paper, after the company sought court protection from creditors, dampened sentiment and the composite index fell 3.49 to 893.07, for a 1.2 per cent fall on the week.

KUALA LUMPUR ended weaker but off the day's lows as a spate of bargain-hunting boosted prices late in the day.

The composite index finished 20.14 lower at 1,007.60, for a 3.7 per cent fall on the week.

MANILA also felt the shock waves from Hong Kong and the composite index lost 55.33 to 2,657.98, but remained up 4 per cent on the week.

Philippine Long Distance Telephone weighed on sentiment following an overnight fall in New York, closing off 25 pesos at 1,875 pesos.

Turnover rose to 1.23bn pesos with some 3.3bn shares changing hands.

AUSTRALIA was only slightly affected by events elsewhere, the All Ordinaries index shedding just 0.9 to 2,163.5, barely changed on the week.

Turnover was A$444.3m.

Lend Lease gained 2 cents to A$17.92 after announcing that it was to develop a joint venture with Indonesia's second largest company and its subsidiary, Bank International Indonesia.

BANGKOK came off 1.6 per cent with pressure seen in blue chips overall, although there was some bargain-hunting evident in several sectors. The SET index fell 19.80 to 1,246.84, off 5.5 per cent on the week. Turnover was thin at Bt4bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY MARCH 17 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY MARCH 16 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	174.69	-0.5	172.95	116.72	152.58	163.87	-0.4	3.32	175.64	174.54	117.41	154.41	163.89	199.18	130.18	139.71
Austria (17)	192.92	0.8	190.99	128.89	168.49	168.24	-0.1	0.92	191.79	190.58	128.20	168.59	168.46	195.41	139.63	145.74
Belgium (42)	171.69	0.7	169.98	114.71	148.96	148.54	0.1	3.82	170.44	169.38	113.94	149.84	148.33	171.69	141.92	145.52
Canada (107)	137.60	0.1	136.23	91.93	120.18	136.31	0.6	2.47	137.52	136.66	91.93	120.69	135.56	145.31	121.46	122.78
Denmark (33)	270.07	-0.1	267.38	180.44	235.69	241.79	-0.5	0.97	270.34	268.65	180.71	237.66	242.88	275.79	195.66	199.13
Finland (22)	150.16	8.8	146.67	100.33	131.15	172.87	0.5	0.84	148.90	147.97	99.54	130.90	172.03	156.72	72.83	72.83
France (99)	181.44	8.7	179.63	121.22	158.47	182.94	0.2	2.82	180.26	179.13	120.50	158.47	182.54	185.37	149.60	154.85
Germany (59)	138.38	0.6	137.01	92.46	120.86	120.88	-0.1	1.71	137.62	136.76	91.99	120.88	120.98	142.38	107.58	111.63
Hong Kong (56)	388.55	-2.2	384.66	259.60	338.37	385.43	-2.2	2.70	397.50	395.03	265.72	349.46	394.24	508.56	237.88	237.88
Ireland (14)	192.54	0.8	190.62	128.64	168.17	188.07	0.0	3.17	191.36	190.17	127.92	168.23	188.07	209.33	141.63	141.63
Italy (69)	78.30	1.3	77.52	52.32	88.39	97.05	0.7	1.74	77.29	76.81	51.67	87.95	96.38	78.93	55.21	58.93
Japan (469)	156.21	-0.2	154.65	104.36	136.44	104.36	-0.3	0.79	156.60	155.63	104.68	137.67	104.88	165.91	118.68	116.86
Malaysia (69)	461.86	-1.0	477.07	321.94	420.87	504.19	-2.1	1.51	490.47	487.41	327.86	431.18	515.03	621.63	276.49	279.14
Mexico (19)	2064.71	0.8	2044.17	1379.48	1803.36	7449.70	0.9	0.68	2047.89	2035.18	1368.93	1800.30	7382.18	2647.06	1431.17	1547.20
Netherland (26)	204.00	8.7	201.87	136.29	178.18	175.75	0.1	3.12	202.85	201.38	135.46	178.15	175.67	207.43	163.30	163.74
New Zealand (14)	71.70	1.7	70.88	47.90	62.62	66.29	2.1	3.61	70.48	70.04	47.12	61.96	64.94	77.59	45.45	46.82
Norway (23)	204.93	0.4	202.89	136.92	178.88	202.72	-0.1	1.62	204.16	202.88	136.47	179.48	202.96	208.42	149.77	148.77
Singapore (48)	315.29	-1.1	312.18	210.65	275.39	229.82	-1.3	1.70	318.73	318.75	213.06	280.21	232.85	378.92	217.80	219.47
South Africa (60)	266.00	-0.5	263.35	177.71	232.32	264.82	-0.7	2.32	267.25	265.58	178.65	234.94	268.86	280.26	191.98	163.23
Spain (42)	148.50	8.3	147.10	99.27	129.77	155.39	-0.2	3.72	148.12	147.18	99.01	130.21	155.66	155.79	116.33	124.18
Sweden (36)	271.48	0.8	218.28	147.69	193.45	256.26	-0.6	1.46	221.56	220.18	148.12	194.79	257.74	230.02	154.79	160.74
Switzerland (48)	164.29	0.5	162.66	109.77	143.48	145.54	0.2	1.55	163.45	162.43	109.26	143.69	145.31	176.56	112.27	112.27
United Kingdom (215)	200.12	8.7	198.13	133.70	174.79	198.13	0.3	3.89	198.72	197.47	132.83	174.78	187.47	214.96	169.36	169.36
USA (518)	191.60	0.3	188.69	128.01	187.34	181.60	8.3	2.76	181.03	189.84	127.70	167.94	181.03	196.04	176.91	183.00
EUROPE (745)	172.08	8.8	170.37	114.97	150.30	163.18	0.2	2.80	170.99	169.92	114.30	150.32	162.89	178.56	138.88	138.88
Nordic (113)	214.53	0.1	212.38	143.33	187.37	216.62	-0.4	1.28	214.31	212.97	143.26	188.40	217.60	220.60	145.85	149.38
Pacific Basin (722)	164.99	-0.4	163.35	110.23	144.11	114.78	-0.5	1.06	165.70	164.66	110.78	145.67	115.24	168.80	121.86	121.66
Euro-Pacific (1467)	167.79	0.0	166.12	112.10	146.55	133.71	-0.2	1.50	167.75	166.70	112.13	147.47	133.66	170.78	128.58	128.58
North America (625)	188.24	0.3	186.37	125.77	164.41	187.76	0.3	2.74	187.71	186.54	125.47	165.81	187.18	192.73	173.70	179.27
Europe Ex. UK (530)	153.35	8.6	151.82	102.46	133.94	142.07	0.1	2.28	152.44	151.48	101.90	134.01	141.98	165.73	120.02	120.02
Pacific Ex. Japan (253)	251.11	-1.4	248.81	167.77	219.32	230.37	-1.4	2.65	254.67	253.09	170.24	223.89	233.67	296.21	168.77	169.77
World Ex. US (1652)	169.11	0.0	167.42	112.98	147.70	136.96	-0.2	1.81	169.06	168.01	113.01	148.62	137.20	172.51	129.62	129.62
World Ex. UK (1955)	173.19	0.1	171.46	115.71	151.27	149.75	0.0	1.99	173.08	172.00	115.70	152.18	149.81	175.58	144.45	144.45
World Ex. So. Af. (2110)	175.02	0.1	173.28	116.93	152.86	153.18	0.0	2.15	174.79	173.70	116.84	153.66	153.17	178.58	146.63	146.63
World Ex. Japan (1701)	107.80	8.3	185.93	125.47	164.03	183.02	0.1	2.73	187.27	186.10	125.19	164.63	182.80	195.20	163.82	163.82
The World Index (2170)	175.56	0.1	173.81	117.29	153.34	154.05	8.0	2.18	175.34	174.25	117.21	154.14	154.06	178.97	146.63	146.63

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Latest prices were unavailable for this edition. Irish market closed March 17.
Constituent change with effect 21/3/94: Addition: Western Atlas Inc. (USA).

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	28	41	49½	18½	29	38
(*615)	650	9	18	28	41	60½	66
Argyll	240	21½	29½	32½	4	14	18½
(*258)	260	8½	18½	22½	12½	25	29
ASDA	55	6½	12½	13½	1	3	4½
(*58)	60	3	6½	7½	5	7	8
Brit Airways	420	18½	32	40½	10½	26	32
(*428)	460	4	16½	23½	37½	51	58
Scot Bdm A	390	29	38	48	8½	21½	29½
(*403)	420	9½	24½	34½	25	37½	45½
Boots	500	42½	53	61	3½	15	20½
(*538)	550	9½	23½	34½	23½	39½	44½
BP	360	17½	28	35	8½	15	22
(*367)	390	4½	14	21	26½	33½	38½
British Steel	140	10½	16½	20½	4	8	12½
(*146)	160	2	7½	11½	18	21	24½
Bass	500	32½	47	59½	9	18	25½
(*523)	550	7	23	35	32	47½	52½
Cable & Wire	425	25	43	–	8	22	–
(*440)	450	13	29	–	21	34½	–
Courtaulds	550	25	39½	51	12½	33	41½
(*559)	600	5½	18	28	45½	64½	71
Comm Union	550	38½	56½	61	4½	14	22
(*580)	600	9	27½	34	27	37	47½
ICI	750	49½	71½	81	0	22½	34½
(*786)	800	17	42½	53	28½	45½	58½
Kingfisher	550	49	59	68	5	21	28
(*589)	600	17	31½	43	23	45½	54
Land Secur	650	60½	59	63	3½	15	18½
(*693)	700	13	28	34	18	38	43½
Marks & S	390	31½	38	46	2½	11	13
(*417)	420	11½	20½	28	12½	24	29
NatWest	460	32	45½	54½	7	18	24½
(*483)	500	9½	28	35	30½	35	45
Sainsbury	360	38	41½	49	4	18	20½
(*388)	390	13	23½	31½	14½	30	34½
Shell Trans.	650	32½	50½	50½	8	15½	25
(*673)	700	6½	24½	31½	32½	41	51
Storehouse	220	0½	16½	22	7½	17½	10
(*220)	240	2½	8	13½	22½	28½	30½
Trafalgar	100	7½	13	–	8	11½	–
(*100)	115	4	8	–	12½	17½	–
Unilever	1050	22	46½	64½	30½	43	30
(*1057)	1100	6½	27½	43	71	75	85½
Zeneca	750	28½	91½	64½	18½	35	49½
(*753)	800	7	29	42½	53	64½	78
Option		May	Aug	Nov	May	Aug	Nov
Grand Met	460	24½	38½	48	13½	24	29
(*468)	500	0	21	30	30	47	52
Ladbroke	200	15½	24	30	7½	13	19
(*207)	220	8	14½	21	19	24	30½
Utd Biscuits	330	22½	31½	38½	9½	18	23
(*348)	360	7	10	25½	29½	34	38½
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	130	4½	14	21½	3	11	18
(*132)	140	1½	6½	16	10½	17	22
Option		May	Aug	Nov	May	Aug	Nov
Brit Aero	500	40½	58	75½	29	48	60
(*503)	550	23½	37½	54½	66	78	88½
BAT Inds	460	25	32½	44	17	27	34½
(*471)	500	8	16½	24	47½	53½	60½
BTR	360	32	42½	48	6½	11½	18
(*383)	390	13	24½	31	17½	25	32
Brit Telecom	390	38	38	43	4	13½	18
(*411)	420	11½	20½	27	17	29	33½
Cadbury Sch	483	32	–	–	13½	–	–
(*499)	542	4	–	–	47	–	–
Eastern Elec	600	44	57	64½	9	25	32½
(*630)	650	16½	30½	30	33½	52	58½
Guinness	460	33½	46½	54½	11½	29	29½
(*484)	500	12½	28	35	33½	45½	51½
GEC	300	10	22	29	7½	18	19½
(*304)	330	0	8	13½	27½	38	38½

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Hanson	280	12	17½	22½	8	14	19
(*281)	300	4	9½	14	21½	26	30
Lasmo	120	16½	22	26½	8½	11½	15½
(*129)	130	18½	17	22	11½	16½	21
Lucas Inds	200	23	30	34	4½	8½	15
(*219)	220	8½	18	23½	13	18½	25
P & O	650	43	63	75	10	31½	47½
(*678)	700	17½	39	51	44	59½	77
Pilkington	180	21	26½	30½	4	9	11½
(*195)	200	8	18	19½	12½	19½	21
Prudential	300	32	36	41	4½	8	14½
(*329)	330	12	18	25	18½	24	29
RTZ	850	44½	66½	84	25½	41½	56½
(*861)	900	19½	44½	60	54½	68	83
Redland	550	34	46½	58	20½	29	42½
(*574)	600	9½	24	36	54	58½	71½
Royal Insce	260	24½	34	40	8	13	19
(*275)	280	13	25½	30	18	23	29½
Tesco	200	23	27½	32	5	8	13
(*219)	220	8	18½	22	14	18½	23
Vodafone	500	60½	75½	89	7	19½	27½
(*550)	550	28	47	61½	25½	38½	30½
Williams	360	35	40	46	8	12	17½
(*389)	390	14	23	30½	19	25½	32
Option		Apr	Jul	Oct	Apr	Jul	Oct
BAA	1000	31	65	78	21½	46½	54
(*1004)	1050	11	32	32	53½	75	82½
Thames Wtr	500	35	45	50½	4½	18½	23
(*529)	550	7	17	24½	27½	47½	51
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	460	27	40½	52½	1	11	18
(*484)	500	2	10	31	18	30	38
Amstrad	35	4½	6½	6½	1	3	4
(*38)	40	1	4	0	3½	5½	7
Barclays	550	9½	32	47½	7	28	39
(*551)	600	1	13½	27½	51½	59	69
Blue Circle	330	32½	29½	40½	1½	13	21
(*349)	360	2½	14½	28	13½	28½	37
British Gas	300	8	15½	20	3	15½	20½
(*304)	330	1	4	9½	28	37	39½
Dixons	200	13½	22½	27½	1½	8½	16
(*211)	220	2	12½	18	12	18½	27
Hillsdown	130	14½	17½	21½	1	7½	10½
(*172)	100	2	9½	12	18	20½	22½
Lonrho	140	14½	23	28½	1	7½	13½
(*153)	160	2	12½	19½	9	17½	24
Natl Power	460	14	30	39½	9	23½	28½
(*470)	500	1	13	22½	32	46½	51
Scot Power	360	28½	38½	48	1	7½	15
(*386)	390	5	28	29	8	18½	29
Sears	110	11	13	16½	1	3½	5½
(*118)	120	2½	6½	9½	2½	7½	10½
Forte	240	21½	25½	32	1	8½	13½
(*259)	260	4½	13½	21½	5	18	23½
Tarmac	193	6½	16½	–	2½	12½	–
(*197)	200	3	13	22	0	19	22½
Thorn EMI	1100	27	87	90	5	32	60½
(*1120)	1100	3½	43	64	38	54	88½
TSB	220	14	23	29½	1	7	13½
(*232)	240	2	12	18	9½	18½	24
Tomkins	240	14	23	28½	1½	8	14
(*252)	260	2	12	18	10½	18	25
Wellcome	600	31½	54½	77	4	28	42
(*626)	650	3½	31	53	28	56½	68
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	650	49	76½	88	11	28½	47
(*684)	700	21	49½	63½	33½	52½	72½
HSBC 75p shs	750	81½	95½	113	21	49	30
(*784)	800	33½	71	88	44	75	91
Reuters	2000	66½	141	181	50½	101	138
(*2008)	2050	42	115	154	77	136	152
Option		May	Aug	Nov	May	Aug	Nov
Rolls-Royce	180	13	28	24½	7½	13	17½
(*188)	200	5	11	16	19½	24½	29

* Underlying security price. Premiums shown are based on closing offer prices.
March 18. Total contracts: 33,233 Calls: 15,393 Puts: 17,840

FT GOLD MINES INDEX

	Mar 17	% chg on day	Mar 16	Mar 15	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2004.85	-1.1	2026.62	2040.66	1187.66	1.87	2387.40	1187.66
■ Regional Indices								
Africa (15)	2785.33	-0.8	2808.98	2798.69	1390.42	4.95	3440.80	1390.42
Australasia (8)	2540.34	-2.4	2603.28	2652.18	1240.92	1.45	3013.89	1240.92
North America (11)	1700.27	-0.8	1714.79	1730.01	1122.81	0.55	2039.65	1122.81

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Mar 18: 223.8 ; day's change: +8.9 points; Year ago: 101.2 † Partial
Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	1	88	4	135	169	37
Other Fixed Interest	0	2	13	10	20	45
Mineral Extraction	63	44	79	360	291	374
General Manufactures	76	233	371	718	737	1,946
Consumer Goods	27	68	97	194	229	541
Services	71	156	292	481	544	1,570
Utilities	4	34	8	66	87	45
Financials	66	136	167	521	527	907
Investment Trusts	12	229	219	477	432	1,391
Others	58	44	32	288	204	163
Totals	420	1,015	1,281	3,272	3,279	7,021

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 7	Last Declarations	June 13
Last Dealings	March 18	For settlement	June 27

Calls: Alliance Res., Greycoat, Kunick, Lloyds Chem., Partco, Regent Corp., Walker (J.D.). Puts: Aminex,Greycoat Puts & Calls: Foward Tech., Lloyds Chem., Microvitec, Shandwick.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.6	246	243	Abtrust N Dawn C	243	-3	-	-	-	-
135	F.P.	42.1	142	135	Applied Distbrs	139	-1	WN3.6	2.4	3.2	16.4
-	F.P.	0.99	6½	1	§Care UK Wrts	4½	-1	-	-	-	-
106	F.P.	32.5	119	101	Cedardata	106		RN1.91	2.9	2.3	17.4
-	F.P.	9.68	£87½	£87½	Chester Water	£87½		†235.8	4.3	3.4	9.0
-	F.P.	36.9	125	125	County Smlr C	125		-	-	-	-
50	F.P.	128.8	50	46	Edin New Tiger	46	-2	-	-	-	-
-	P.P.	12.2	50	49	F & C Private Eq	49		-	-	-	-
100	F.P.	139.5	99	93	Fidelity Jpn Values	93	-2	-	-	-	-
-	F.P.	16.5	55	49	Do Warrants	55		-	-	-	-
130	F.P.	32.5	158	130	Finelist	149	+4	R3.3	2.3	2.8	19.3
-	F.P.	2.54	100	98	Fleming Japan C	101½	-1¾	-	-	-	-
-	F.P.	2,591.0	£31½	£30⅝	Franklin Res	£31½		Q28c	-	0.9	-
-	F.P.	51.0	102	100	Gartmore Brit Inc	102		-	-	-	-
-	F.P.	58.2	113	112	Do Zero Pf	112½		-	-	-	-
-	F.P.	106.5	213	208	Do Units	213		-	-	-	-
170	F.P.	74.1	171	159	Goldsborough Hlth	159		WN3.3	2.8	2.4	18.5
183	F.P.	247.6	210	195	Graham Group	219	-1	LN4.6	2.3	2.7	20.6
-	F.P.	59.6	74	68¾	Guangdong Dvlpt	73¼	+½	-	-	-	-
-	F.P.	5.56	30½	19½	Do Warrants	30½	+¼	-	-	-	-
$1	F.P.	114.9	62	57	Israel Fund	57½		-	-	-	-
-	F.P.	11.0	28½	27¼	Do Warrants	27½	-¼	-	-	-	-
-	F.P.	529.0	495	459	Mercury Euro Prvtn	460	+1	-	-	-	-
140	F.P.	234.4	172	163	Midland Indp Nws	170	-2	WN2.8	2.3	2.1	23.3
50	F.P.	20.4	53	49	Mithras Inv Tst	51		-	-	-	-
-	F.P.	2.08	20	25	Do Warrants	26		-	-	-	-
-	F.P.	66.1	226	223	Partco	224		L5.35	2.2	3.0	19.3
-	F.P.	5.24	200	198	Ptarmigan Int'l C	199		-	-	-	-
125	F.P.	18.1	133	113	Radstone Tech	119		R3.0	2.4	3.2	14.9
100	F.P.	57.0	98	94	Saracen Value	95		-	-	-	-
-	F.P.	4.66	43	36	Do Warrants	38		-	-	-	-
-	F.P.	116.2	508	491	Schroder UK Gwth	496	-5	-	-	-	-
119	F.P.	54.9	140	128	Tring Intl	120		RN3.8	2.1	3.7	15.3
153	F.P.	53.5	180	153	United Carriers	166		-	-	-	-
50	F.P.	11.3	72	68	Waste Recycling	70	-1	11.4	0.4	20.4	28.6

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	Low	Stock	Closing price p	+or-
92	Nil	11/4	15pm	7pm	Burford	9½pm	
173	Nil	5/4	27pm	14pm	§Cap. & Regional	14pm	-2
4¼	Nil	14/4	6pm	3pm	Care UK	3½pm	
42	Nil	14/4	18pm	4pm	Conrad Ritblat	4pm	
15	Nil	25/3	4pm	2½pm	Creston Land	2½pm	
12	Nil	13/4	13pm	10pm	Firth (GM)	11pm	
62	Nil	28/4	10½pm	9pm	Haden Maclellan	9pm	
315	Nil	30/3	64pm	49pm	Wetherspoon JD	49pm	-1

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Yr ago	*High	*Low
Ordinary Share	2542.7	2566.3	2552.9	2569.3	2546.2	2268.2	2713.6	2124.7
Ord. div. yield	3.95	3.62	3.64	3.61	3.64	4.34	4.52	3.43
Earn. yld. % full	4.97	4.92	4.95	4.91	4.95	6.06	6.39	3.92
P/E ratio net	21.87	22.06	21.95	22.11	21.95	20.63	33.49	18.40
P/E ratio nil	22.95	23.08	22.93	23.09	22.92	19.00	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2567.8	2560.9	2556.8	2550.3	2545.3	2535.3	2532.1	2533.8	2540.1	2560.9	2529.1

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Yr ago
SEAQ bargains	33,758	34,034	30,376	33,817	34,173	37,787
Equity turnover (£m)†	-	1423.8	1458.1	1406.9	1248.0	1458.7
Equity bargains†	-	38,360	34,894	38,574	38,169	39,438
Shares traded (ml)†	-	573.7	591.3	535.7	487.8	632.3

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅞	–⅞	£25¼	21⁸⁄₁₆	6,521	4.8	♦
ANZ A$		249½	+2¼	278¼	130	3,252	3.7	19.5
Abbey National	qN□	485xd	–2	524	345	6,358	3.8	16.3
Allied Irish I£	‡□	282xd	–2	314	178	1,728	4.8	♦
Anglo Irish I£	N□	68	—	*70	38	146.4	7.2	11.8
Asahi Y		709½	+6¼	844	415	16,495	0.7	–
Banco Bil Viz Pta		£14⅝	–¼	£17⅞	£13⅜	3,462	5.5	8.7
Banco Sant Pta		£31⅛	—	£38	£24⅞	3,512	4.3	13.1
Bank Leumi (UK)		430xd	—	450	325	35.2	5.4	♦
Bk Ireland I£	‡u□	201	–1	*318	171	1,230	4.8	19.2
Bank Scotland	‡†□	198	–4	247	116½	2,281	3.0	26.6
9¼pc Pf		130¼	–½	141½	117¾	130.8	8.8	–
8¼pc Pf		137½	–¼	149½	123½	137.5	8.9	–
Barclays	qN□	552xd	–1	652	362	8,984	3.4	28.2
Dai Ichi Kan 2		£12⅛	–⅟₁₆	£16⅞	£8⅞	39,138	0.4	89.4
Deutsche DM		£317⁹⁄₁₆	–4⅞	£348⅞	£250½	15,090	1.9	–
Espirito Santo		£22⅛	–⅛	£25⅞	£16½	238.8	3.6	5.4
First Nat Fin	N□	83	—	*95	48	137.5	2.3	–
6.3pc Cv Pf		96	—	*91	55	5.78	6.2	–
7pc Cv Pf		121	—	171	105	78.4	5.4	–
Fuji Bank Y		1444¼	+3¾	1381	676	41,820	0.4	–
HSBC HK	□	804xd	–41	1133	474	14,118	3.7	♦
HSBC (75p Shs)	□	787xd	–37	1113	490	6,658	3.7	♦
Lloyds	N□	562xd	–9	690	482	7,478	4.7	12.3
Mitsubishi Y		£16⅞	+⅟₁₆	£19¼	£11⅛	52,283	0.3	–
Mits Tst & Bk Y		997¼	–3¼	1027¼	462½	12,892	8.5	18.0
Mitsui Tst & Bk Y		798¼	+5¼	852	374	8,583	0.7	27.2
Nat Aust A$		584½	+3¼	620¼	322	7,422	4.2	13.7
NatWest	qN□	485xd	–8	604	398	8,060	4.8	13.3
Ottomane FFr		£31	–½	£33	£23¼	165.0	4.8	9.1
Ryl Bk Scotland	‡N□	437	–1	528	207	3,478	3.1	19.8
Sakura Y		£8¾	+⅛	211	£5¼	28,979	0.6	54.6
Sanwa Y	s	£14⅜	+⅟₁₆	£18	£7¼	41,802	0.4	–
Standard Chartd	qN□	1160xd	+22	1437	578	2,784	2.9	11.4
7 3/8pc Prf		95¼xd	–¼	208½	94	95.8	9.8	–
Sumitomo 1		£13⅞	—	£16¼	£8⅞	43,671	0.4	29.9
Sumitomo Tst Y		984½	+16¼	997¼	437½	12,370	0.8	70.0
TSB	N□	233xd	–3½	291	145½	3,982	4.1	15.9
Tokai Y		£7½	–⅟₁₆	£9⅞	£4⅞	15,214	0.7	50.1
Toyo Tst & Bk Y		700	–23½	840	411	6,501	0.7	62.4
Westpac A$		243	—	280	121	4,250	2.2	♦
Yasuda Tst Bk Y	‡	570¼	–4¼	690	343	6,286	0.9	50.8

BREWERIES

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	9	—	16½	4½	28.7	–	–
Bass	N□	524	–1	647	441	4,564	4.7	14.0
Boddington	qN□	278xd	–1	299	189	335.3	3.8	14.1
Burtonwood		169	—	193	129	35.2	3.5	14.1
Eldridge,Pope A	‡N	180	—	167	75	21.2	2.8	22.2
Fosters A$		98¼	–¼	78¼	56	1,908	4.9	60.7
Fuller STA	‡†	451	–4	493	338	91.6	2.1	18.9
Gibbs Mew	‡†	420xd	+5	420	149	37.6	2.5	39.8
Greenalls	‡N□	440	–2	511	347	619.7	3.5	14.8
Greene King	†N□	505	+1	584	504	213.6	3.1	14.1
Grosvenor Inns	‡‡†y	156xa	—	*139	69	20.1	3.9	23.5
Halkin		79	—	*80	31	25.6	–	54.6
Holt (J)	†	2190	—	3225	2538	94.5	1.7	28.5
Kirin Y		790¼	–5¾	898½	590	8,317	0.8	29.9
Mansfield	†N	291	—	246	164	128.6	2.5	14.4
Marston Thomp	†N□	275	—	302	231	245.0	2.5	15.3
Morland	N	600	—	580	455	101.5	2.4	17.2
Paramount	‡‡N□	9¼	—	12	6¼	4.90	1.9	17.6
Regent Inns	‡‡N	251xd	—	287	145	36.9	2.0	25.5
Scott & New	†N□	536	–7	*591	393	2,848	4.6	16.4
United Breweries	‡□	8	—	22	7	12.1	–	–
Vaux	‡N□	287	+1	308	213	400.7	4.1	18.5
Wetherspoon (J.D.)	†N□	364xa	–1	*403¼	218	121.6	2.8	28.3
Whitbread	†N□	540	–11	617	435	2,816	4.2	19.0
Wolv & Dudley	N□	509	+1	213	463	397.8	3.1	14.3
Young A	†	528	—	528	475	18.3	3.5	21.8
NV	†	453	—	466	415	25.8	4.1	10.7

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

INVESTMENT COMPANIES

LEISURE & HOTELS

OIL, INTEGRATED - Cont.

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	-¼	£23½	£7½	1,344	3.3	♦
Barlow		£4⅞	+⅛	£5⅞	£3⅜	957.2	8.7	8.9
Gold Fields SA R		£14⅞	—	£18	£7¼	1,380	2.8	24.1
NK Props.	£	00	—	87	50	3.82	6.0	37.0
SASOL	♥	357	+4	361	215	2,022	4.4	-
SA Brews		£13⅞	+⅛	£15⅜	£7⅜	7,394	2.0	22.6
Tiger Oats		788	—	838	513	1,188	2.1	18.8
Tongaat-Hulett	†	570	+18	583	212	426.6	2.8	15.9

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xR ex capital distribution.

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FINANCIAL TIMES
Weekend March 19/March 20 1994

Bond aimed at banks and building societies

Bank of England offers variable-rate gilt issue

By Sara Webb

The Bank of England is launching its first UK government bond with a variable rate coupon – rather than a fixed interest rate – in nearly 20 years.

The Bank is keen to offer investors a wider range of financial instruments, and expects the new gilt to appeal primarily to banks and building societies which buy floating rate paper for short-term liquidity purposes. Money market funds are also expected to buy the paper.

However, yesterday's announcement is seen as particularly opportunistic, given the recent bouts of nervousness in the world financial markets.

The gilt-edged, European government and US Treasury bood markets have all seen sharp falls since February 4, when the US Federal Reserve hitched up short-term interest rates. The markets have been especially nervous about US inflation prospects and the possibility of further rises in US interest rates, and have experienced heavy selling by investors, particularly the US-based hedge funds.

A few borrowers have responded to the uncertainty over interest rate movements this year by issuing floating rate notes, either in US dollars or sterling. Some gilt analysts pointed out that the Bank was hoping to take advantage of investor uncertainty about the direction of UK interest rates and the fact that some existing floating rate issues are expected to mature this year, creating a shortage of such notes.

"Some investors clearly think that UK interest rates may have bottomed out or be close to their lows, and that a floating rate bond would enable them to take advantage of a rising interest rate scenario," said one analyst.

The fact that tha new gilt issue is targeted at banks and building societies may also help – indirectly – to iron out the sharp fluctuations in mooey market interest rates.

Since the Bank changed its funding rule in March 1993, the banks have bought substantial amounts of gilts. However, the Bank is keen to encourage them to buy more gilts so that they build up large holdings of government paper which can be used as collateral in certain of the Bank's money market operations – known as repos – and which could help to smooth out the volatility in the commercial banks' overnight interest rate.

The last time the Bank issued bonds with a variable interest rate, the exercise was not deemed a success. It sold three issues, of £400m each, in 1977 and 1979, which matured in 1981, 1982 and 1983. Investor demand was poor, and was not helped by the coupon-setting mechanism which was seen as too complicated. It was set retrospectively, based on an average for the UK Treasury bill rate over the previous six months.

The new gilt issue will be sold at auction on March 30, and details of the amount, maturity and coupon will be announced by the Bank on Tuesday. The coupon is likely to be set using the London interbank rate, the common method of setting the coupon on floating rate sterling bonds.

The Bank said earlier in the week thet its auctions would be in the £2bn-£4bn range, but market participants soggested that the Bank is likely to err on the lower end of the range.

The gilt market reacted positively to yesterday's announcement, recovering ¾ of a point in the afternoon. However, dealers said this was partly in relief that the Bank was not issuing conventional bonds against an unfavourable market background.

See Lex

US-German air traffic deal heralds closer airline links

By Michael Lindemann in Bonn

Germany and the US signed an agreement on air transport yesterday, paving the way for closer co-operation between Lufthansa, the German national carrier, and United Airlines.

The negotiations, which involved Chancellor Helmut Kohl and President Bill Clinton, will lead to ticket code-sharing between the two airlines and give their clients reciprocal rights to inceotive packages, snch as freqnent-flyer programmes.

The deal came after Thursday night's separate US decision to extend for a year a similar agreement between British Airways and USAir.

A memorandum of understanding signed by Mr Matthias Wissmann, the German transport minister, and Mr Federico Peña, the US transportation secretary, also leaves open the possibility of other US airlines gaining limited access to the code-sharing arrangements.

Mr Jürgen Weber, Lufthansa's chief exeentive, said the deal, allowing the two airlines to market each other's flights under the same ticketing code, would come into effect on May 1. It will last four years before leading to a broader agreement between the two countries.

The deal gives Lufthansa better access to Caribbean and Sonth American rontes, while United can increase flights to eastern Europe and beyond. Under the code-sharing provisions, passengers will be able to make connecting flights on both sides of the Atlantic with only one check-in and benefit from better connections between the two airlines.

Lufthansa will also have more access to destinations in the US, the west's largest aviation market. German officials said the deal would correct the imbalance between US and German carriers that had been created by the 1955 post-war agreement. Under that agreement, US carriers captured 76 per cent of traffic between the two countries.

The officials said the talks had faced "incredible pressure" from other American carriers seeking greater access to Germany and attempting to block the United-Lufthansa partnership.

The number of US flights to Germany will be frozen for the next two years and will increase modestly in the following two. The code-sharing is expected to increase Lufthansa's transatlantic revenues as the carrier prepares for privatisation.

On Thursday the company announced lower losses of DM50m (£19.4m) for 1993 on the back of significant progress in its restructuring programme. That compared with DM297m for the previous year.

Showdown averted, Page 3

THE LEX COLUMN

Floating in rough water

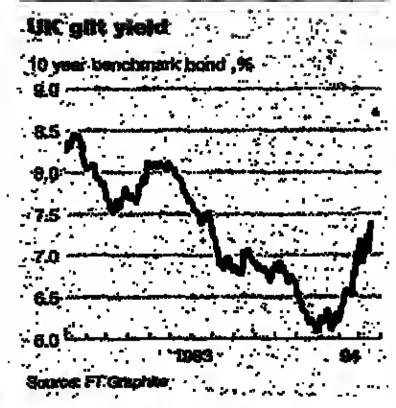
The lady may be old but she certainly has a fertile imagination. Until 3.30pm yesterday it looked as though the Bank of England was in an appalling quandary over the gilt market. It had to decide whether to have an auction this month. To duck out might have seemed an admission of inability to fund at all in such difficult markets. A long-dated issue could have easily flopped. A very short-dated one would have appeared like a commitment to a prompt cut in interest rates. By opting for a floating rate issue instead, the Bank seems to have uncovered a rich new seam of demand.

The issue will almost certainly appeal strongly to banks which are facing shortage of loan demand, especially since it requires minimal capital backing under Basle risk ratio rules. Of course, targeting bank investors is only possible because the Treasury is nowadays prepared to count sales of gilts to banks as part of official PSBR funding. Abuse of this relatively new freedom could be seen as a wanton disregard of inflationary risk. Some will doubtless also construe yesterday's move as an admission that fixed-rate yields have troughed.

The other interpretation is that a readiness to issue floating rate debt is an indication of the Bank's faith in its ability to curb inflation, for much the same reason that it likes to sell index-linked gilts. This argument only holds good if the authorities are cautious about their recourse to the banks. They need to sell enough floating rate debt to ensure the issue is liquid and to allay fears of over-supply in the fixed-rate market. But funding at floating rates is so easy that it could become a habit. Then discipline over economic policy would disappear.

FT-SE Index: 3218.1 (-37.6)

UK gilt yield



Source: FT Graphite

House of Fraser

The Fayed brothers will not be the only ones to be slightly disappointed by the 180p price tag which was eventually hung on the House of Fraser group. Earlier soundings suggested that the group might go for more than £2.00 a share, and the lead manager, SG Warburg, limited the public offer to 25 per cent of the shares. If the bank believed that pre-marketing to institutions would control the float better and encourage a higher price, it has been proved wrong.

Institutions could see House of Fraser coming. The Fayeds were known to have explored other options and the market thus seemed disinclined to pay up for a property which had not been placed elsewhere. Even the 25 per cent publicly offered could have been clawed back by institutions, so there was little incentive to chase the shares.

Arguably a better tactic would have been to market the issue more heavily at private investors, who are keen on businesses they know and can understand. More limited allocations to institutions might have caused a little hunger and, potentially, a higher price. It may be argued that in volatile conditions the issue had to be priced cautiously, but the 26.2 point rise in the FT-SE 100 this week hardly constitutes a bear market. Still, the silver lining is thet at 180p House of Fraser should be a lot more attractive to individuals. Both Warburg and the Stock Exchange may be embarrassed if the issue is now heavily oversubscribed.

Airlines

Lufthansa and British Airways will be delighted by the US government's approval of their code-sharing agreements with US carriers. The potential benefits are perhaps best gauged by the vehemence of the opposition of rival US airlines. By effectively tapping into the US domestic market, the two European airlines can help secure lucrative business traffic which is so critical to profitability. Although BA carries some 25m passengers a year, it makes two-thirds of its revenue from 75,000 customers who regularly travel at the front of the cabin.

BA's link with USAir is under a cloud, given the latter's severe financial strains. Bnt Lufthansa's code-sharing arrangements with United should help it return to profitability. Lufthansa could gain up to DM100m a year in extra revenne through code-sharing. That should ease the way for the government to reduce its majority shareholding as part of its privatisation programme. Lufthansa's closer links with United will be especially painful for Delta, which has a big presence at Frankfurt. The few big US carriers without a European partner must be growing ever more desperate to get hitched.

Despite recent accords, there remain big uncertainties about the regulation of some transatlantic routes. While passengers would appreciate the virtues of further liberalisation, it is not clear that shareholders should be so enamoured. As the domestic US airline market graphically illustrates, too much competition can be an uncomfortable thing.

Scottish Amicable

Scottish Amicable is not the first UK life insurer to see continental Europe as a land of opportunity. Changes in European law mean that its new Dublin-based company will be able to sell the same products in Naples as in Nether Wallop. The flowering of independent financial advisers in countries such as Germany is especially to its liking. Others such as Commercial Union and J. Rothschild Assurance, in which Scottish Amicable has an eqnity interest, favour building ties with overseas banks.

Whichever approach proves more successful, the reasoning behind overseas expansion is not difficult to fathom. With around 250 life insurance companies operating in the UK, the domestic market looks hopelessly overcrowded. The emergence of bancassurance – and the steady erosion of ties with banks and building societies that comes with it – is making matters worse.

Since only a quarter of the £100m raised from the bond market in December has been sunk into the European venture, Scottish Amicable can afford an initiative closer to home. The company has set its face against building a sales force of its own, on the grounds that such investment is rarely profitable. Buying an unquoted competitor, slashing overheads and running off its existing business – the approach being explored by Sir Mark Weinberg – might yield a decent profit. Unless the move really strengthened Scottish Amicable's competitive position, though, such opportunism holds little appeal.

Serbia urged to join Bosnia peace process

Continued from Page 1

Alija Izetbegovic of Bosnia and Franjo Tudjman of Croatia asked for help to rebuild their nations. Mr Clinton promised that the US would contribute and said the US stood ready to act, through Nato, to help sustain any broader and enforceable peace agreement involving all three parties.

But Mr Izetbegovic, considered the most reluctant party to the agreement, also said he wanted a "fair peace," which would include the retention of Bosnia's old borders, resettlement of those expelled from their homes, and a war crimes tribunal.

Yesterday's agreement also laid out the principles of a confederation between the Croat parts of Bosnia and Croatia itself. This blueprint could be extended to allow the Bosnian Serbs a comparable relationship with Serbia.

Serb leaders yesterday appeared in disarray over the Washington agreement, uncertain whether it heralded a pact against the Serbs, or formally sanctioned Greater Serbia and Croatia.

Mr Momcilo Krajisnik, speaker of the Bosnian Serb assembly, called the federation "an unnatural creation" that woold never last, Radio Belgrade reported. Other Bosnian Serbian leaders saw the agreement as "positive".

SPD plans tax shift to wealthy to pay for German unification

By Quentin Peel in Bonn

German tax reforms which would shift the burden of spending on unification from the low-paid to the wealthy were outlined yesterday by the opposition Social Democrats as the main plank of their election campaign.

The plan is also intended to boost demand and promote job creation by cutting taxes for ordinary wage-earners, and reducing their social security contributions.

Mr Rudolf Scharping, the SPD leader, says the net effect will be no increase in the combined burden of taxation and insurance contributions, and no increase in the government's net borrowing requirement.

The proposal was published as a draft programme for a future SPD government if the party wins power in October's general election.

It was immediately denounced by Mr Theo Waigel, the finance minister, as "hot air". Far from relieving the burden on ordinary wage-earners, it would hit the vast majority oo average incomes, he said.

The tax reforms amount to a calculated risk by the opposition leader, who is seeking to present his party as a reliable alternative government to Chancellor Helmut Kohl's ruling coalition. They are intended to demonstrate greater social justice, maintain strict fiscal discipline and boost job creation.

The growth rate of public spending would be kept "appreciably below" the nominal growth rate of gross national product in order to cut the soaring public debt, the programme states. "Unnecessary" tax allowances would be abolished.

At the heart of the package is a 10 per cent tax surcharge on higher-income earners. The suggested threshold is an annual income of DM50,000 (£19,455) for the single taxpayer and DM100,000 for married couples. The Kohl government has decided on a 7.5 per cent income tax surcharge to pay for unification to come into effect from January 1995.

The SPD proposal also includes an increase in the wealth tax on individuals and measures to close tax loopholes for the higher paid.

In return, an SPD government would remove the surcharge on unemployment insurance contributions which finances retraining and job creation schemes in east Germany.

A policy with whiskers, Page 8

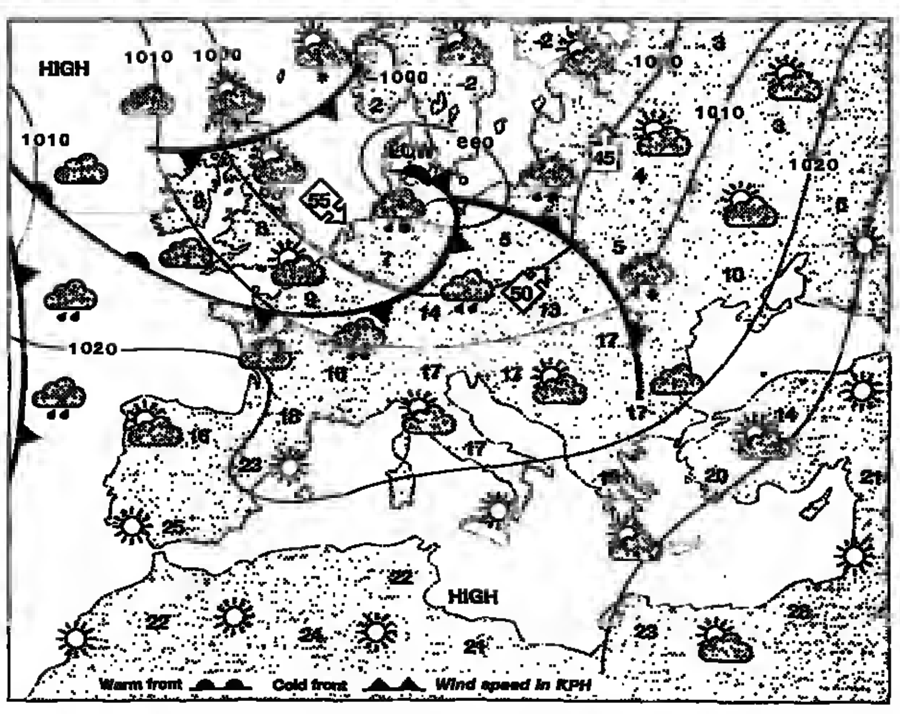
FT WEATHER GUIDE

Europe today

An low-pressure area over southern Sweden will draw milder air over the Continent. As a result, the northern half of France, Germany, Poland, the Czech Republic and Slovakia will be overcast with rain and strong westerly winds. Behind the rain, a strong north-westerly flow will push cold and unstable air over eastern parts of the British Isles and the Benelux countries, bringing wintry showers and a few sunny intervals. High pressure over the Atlantic will bring drier conditions to western parts the British Isles. The Mediterranean, Spain and Portugal will remain dry and sunny.

Five-day forecast

As high pressure over the Atlantic moves over western Europe on Sunday, wintry showers will move towards eastern Europe and the CIS. Next week, a strong westerly air current will push oceanic disturbances towards western Europe, bringing prolonged unsettled and milder conditions. Northern Europe will remain changeable with wintry showers, while the Mediterranean will stay dry and sunny with spring-like temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	25
Accra	fair	30
Algiers	sun	24
Amsterdam	hail	6
Athens	fair	17
B. Aires	shower	24
B.ham	fair	8
Bangkok	fair	35
Barcelona	fair	18
Beijing	cloudy	13
Belfast	shower	8
Belgrade	fair	20
Berlin	rain	6
Bermuda	shower	23
Bogota	cloudy	28
Bombay	sun	32
Brussels	shower	6
Budapest	fair	14
C.hagen	snow	4
Cairo	fair	28
Cape Town	sun	30
Caracas	fair	25
Cardiff	fair	8
Chicago	fair	11
Cologne	rain	6
D' Salaam	fair	31
Dakar	sun	24
Dallas	fair	26
Delhi	sun	33
Dubai	fair	25
Dublin	fair	8
Dubrovnik	fair	16
Edinburgh	fair	6
Faro	sun	20
Frankfurt	rain	11
Geneva	rain	12
Gibraltar	sun	21
Glasgow	hail	8
Hamburg	sleet	4
Helsinki	fair	0
Hong Kong	cloudy	16
Honolulu	cloudy	25
Istanbul	sun	14
Jersey	fair	6
Karachi	sun	30
Kuwait	sun	26
L. Angeles	shower	18
Las Palmas	sun	22
Lima	cloudy	27
Lisbon	sun	20
London	fair	6
Lux.bourg	rain	6
Lyon	cloudy	16
Madeira	sun	19
Madrid	fair	22
Majorca	sun	20
Malta	fair	18
Manchester	shower	6
Manila	cloudy	32
Melbourne	fair	20
Mexico City	fair	24
Miami	fair	28
Milan	sun	18
Montreal	fair	-1
Moscow	cloudy	4
Munich	rain	13
Nairobi	cloudy	29
Naples	fair	17
Nassau	fair	28
New York	sun	7
Nice	sun	18
Nicosia	fair	16
Oslo	fair	1
Paris	cloudy	13
Perth	fair	35
Prague	rain	9
Rangoon	fair	35
Reykjavik	cloudy	-3
Rio	fair	28
Riyadh	sun	25
Rome	fair	16
S. Frsco	fair	16
Seoul	fair	6
Singapore	rain	29
Stockholm	fair	2
Strasbourg	rain	14
Sydney	fair	23
Tangier	sun	20
Tel Aviv	fair	23
Tokyo	rain	12
Toronto	fair	2
Tunis	sun	21
Vancouver	rain	6
Venice	sun	15
Vienna	fair	15
Warsaw	rain	6
Washington	sun	11
Wellington	shower	17
Winnipeg	cloudy	5
Zurich	cloudy	12

هكذا من الاصل

Weekend FT

SECTION II

Weekend March 19/March 20 1994

Beware the sickly Russian bear

*Should the west spoon-feed its old adversary; should it 'cuddle up to Yeltsin'? Or should it treat Russia as a serious country with its own serious national interests? **John Lloyd** reports*

A surprising question confronts the western powers. Should they fear Russia?

The west, it seems, has come to believe that Russia is uo longer a menace – after Mikhail Gorbachev opened it up and Boris Yeltsin introduced democracy. Rocky, volatile, *impoverished*, it may be, but not dangerous; no longer an adversary.

Since the collapse of the Soviet Union, westero politicians have been asking how to use aid to encourage Russia to be friendly, democratic and market-orientated. However, in the US the debate has moved to an older question: whether the Russian bear, reborn after communism, should be feared as much as tamed.

The elections in December did most to re-open the question. The party which achieved by far the largest number of votes in the State Duma was Vladimir Zhirinovsky's Liberal Democrats, who believe that Russia should *at least* re-conquer the space formerly occupied by the Soviet Union.

Alexei Mitrofanov, "shadow foreign minister" for the LDP, says that "we consider the ex-Soviet republics as integral parts of Russia, and our idea is to restore them to the previous (Russian imperial) status. Not separate countries – and not even something like the Soviet republica. There will be for example no Ukraine – but provinces, as Kiev province, Donetsk province and so on – only local administration, all connected to Moscow."

The oddly named Liberal Democrats are not the only Russians to hold such view. The powerful Russian Communist party and many other groups inside and outside the parliament have also founded their popular appeal on the aggressive reassertion of Russian power in the "near abroad" – the revealing appellation for the former Soviet states.

They are the inheritors of a massive wave of popular revulsion against the arrogance of the west, the impoverishment of Russia and, most of all, the sudden estrangement of more than 25m Russians living in the "near abroad" from a shrunken motherland.

They are prey to theories of conspiratorial domination and control whose defining points can appear to be plausibly anchored in reality.

Alexander Prokhanov, whose weekly "DEN" was the bible of the nationalist movements and which has appeared again in a new guise after being banned, is the most talented of these theorists.

He says: "It's quite simple. The US is exercising its dictatorship over the domestic and foreign policies of Russia, over her cultural and ideological policies. So Russia's foreign policy in all regions of the world must match the national interests of the US in these regions.

"America's policy towards the geopolitical space known as the Soviet Union amounted to seeking its dismemberment and undermining Russia's potential, then keeping this potential at a safe level for America. In these aims (President Boris) Yeltsin and (Foreign Minister Andrei) Kozyrev have been accomplices."

These are not the voices of executive power in Moscow, but they are the voices of influence and of a powerful strand of popular protest. Both before the December elections and more obviously after, the executive power has shifted to accommodate the nationalist revival.

Kozyrev has moved furthest: from the too-uncritical westerniser he was when he came to office at the end of 1991, he has become a nationalist statesman. He is not afraid of out-flanking Zhirinovsky on the need to keep the Kaliningrad enclave Russian. He has been threatening on Ukraine and has allowed it to be thought he wanted Russian troops to remain in the Baltics indefinitely.

In more considered public voice, an article he wrote a week ago in the daily Izvestiya underscored that "Russia is doomed to be a great power" with interests which conflicted with those of the west – but that these conflicts could be managed peacefully as conflicts between friendly states everywhere.

The devils lie in the details of what it means to be a great power.

For Andrannik Migranyan, one of President Yeltsin's most publicly visible advisors, Russia "is a big power, economically stronger than any of its former republics". In relation to the "near abroad", he points out that Russia has a very serious interest: the Russians living outside the Federation; it needs accesses and routes to the Baltic and other seas through former republics; it needs to ensure security.

"All of these factors demand that Russia become a core for the reintegration of this space. Without this (reintegration) we can get many clashes, fights and wars – and we already have them."

Thus Migranyan suggests at the pressure Russia can bring to bear on the surrounding countries now struggling to establish viable statehoods.

Economically, Russia dominates all but the lucky few which have substantial resources, such as Kazakhstan, Azerbaijan and Turkmenistan. It has proposed a rouble zone to bind together again states whose links remain strong: but as the squeeze upon economies gets tighter, the criteria for entry also become tighter.

Last week, the governor of the Central Bank of Belarus – the Slav state which has sued for an economic union with Russia once more – said that Russia wanted complete submission to central economic and financial policy. Belarus is so prostrate and so politically inert that Russia may get it. If so, it will be a template for other economies – and the prize would be Ukraine, whose economy is in full collapse.

Militarily, Russia has bases in every one of the former Soviet states except Lithuania and Azerbaijan (and it is likely to get its bases back in the latter before long). Armies have "kept the peace" in Georgia, Armenia, Moldova and Tajikistan – sometimes using, as Sergei Karaganov, a presidential advisor on foreign policy, wrily admits, "nineteenth century methods".

In Georgia, the Russian army was decisive in first destablising, then (when he had come to heel) underpinning, the position of Eduard Shevardnadze, the head of state; in Tajikistan, the regime would fall without it; in Moldova, the 14th army's presence protects the interests of the majority Russian speakers on the left bank of the River Dnestr and effectively divides the country into two. Especially in Moldova and Georgia, where Yeltsin gave assurances which the army later ignored, it seems as though the army is conducting its own foreign policy.

Politically, the great wave of nationalism which swept through the Soviet Union between 1969 and 1992 has all but exhausted itself – except in Russia. Non-Russian nationalism in the other republics was also anti-Russian nationalism. So the Russian democrats were unable to cement alliances with nationalists in those other republics.

Nationalism is now replaced with exhaustion in many states (the Baltics are an exception: they remain strongly independent and in the case of Latvia and Estonia, strongly anti-Russian). The support for nationalist politicians has declined everywhere, including in Ukraine.

The new state elites have been unable, some unwilling, to develop the attributes of statehood. There is some force to the comment of Sergei Stankevich, one of the leaders of the centrist Party of Reconciliation and Accord, that "it is their choice to come to us, not ours. We simply open our doors to our neighbours: you cannot interpret this as imperial behaviour".

But that is precisely how an increasingly influential swathe of western elite opinion *is* interpreting it. Henry Kissinger, the former US Secretary of State in articles and speeches; former National Security Adviser Zbigniew Brzezinski in a widely quoted article published in *Foreign Affairs*; the influential columnist William Safire; the former head of the US National Security Agency General William Odom – all of these are actively propagandising against (as they represent it) a US-led, western policy of putting Russia first, cuddling up to Yeltsin, letting down the East Europeans and other former Soviets, and pretending there is a partnership.

In New York, Dr Kissinger says: "We are dealing with Russia not as though it were a serious country with its own serious

■ Continued on Page X

CONTENTS

The Long View/**Barry Riley**

Debatable dividends

An increase of 50 per cent in the dividend of the UK merchant bank Schroders this week, though scarcely typical, has provided a reminder that dividends are showing unexpected buoyancy this year. Although earnings cover has become thin, by historical standards, British companies are ready to be generous.

At present the income on the All-Share Index is showing growth of 4.6 per cent on a year ago, adjusting for the negative effect of last year's dividend tax changes, and the growth rate could expand by a percentage point or two as the results season progresses. This is not bad when, for comparison, pay is rising at only 3¼ per cent in the UK and underlying retail price inflation is a little less than that.

Elsewhere in Europe shareholders are not so fortunate. In Germany, for instance, the big companies are displaying their traditional readiness to cut dividends in bad times: the big chemical groups BASF and Hoechst have both trimmed by 20 per cent or so.

During the past five years, since shortly before the recession began to bite, UK dividends have grown by a cumulative 7 per cent in real terms, while capital investment in real terms in the UK has fallen by 14 per cent. Profits are heading this year towards 16 or 17 per cent of GDP, close to a post-war peak, and yet output is no higher than four years ago and imports are rising rapidly. Has British short-termism come to dominate once again, with companies trying to keep shareholders happy rather than invest in the future?

There is no simple trade-off here, because companies are becoming quite flush with funds. Indeed, many forecasters expect that the corporate sector will begin to expand its investment again quite markedly this year. But will companies find opportunities that are profitable enough? Once more there are signs that the British economy is looking less vigorous than are British plcs. Too many chief executives, it seems, are looking for a 20 per cent return on equity, even though inflation is much lower than it used to be.

Consider the puzzle of the so-called output gap, which economists now attempt to measure rather as the old theologians calculated the number of angels on a pinhead. It is the gap between current output and underlying productive capacity, and allegedly explains the downwards pressure on prices (with factory gate wholesale prices rising by only 3.3 per cent in the year ended February, down from 4 per cent-plus reached at one stage last year).

But this *output* gap co-exists rather oddly with the £13.4bn *trade* gap in visible goods last year. You would think that if there was surplus capacity there would tend to be production in excess of domestic requirements. Soon the government may start to become restless as it realises that import volumes are rising (at more than 3 per cent a year) and that the balance of payments deficit may threaten sterling. It will become agitated if capital investment fails to recover and "restructuring", not to mention "downsizing", continue to be the buzz words in British boardrooms.

If capacity is being sidelined it must be that it is not regarded as profitable enough to be operated at current or immediately prospective price levels. For a time, British industry may continue its conjuring trick of generating more profit out of scarcely rising output. But an attempt to achieve much higher rates of return than are required by competitors in countries such as Germany will inevitably lead to a loss of market share in both the home and export markets – unless there is a further substantial sterling devaluation, which still seems unlikely.

International economists do a lot of work on the competitiveness of labour forces, and how expensive workers in Germany, costing $25 an hour, will tend to lose out to Chinese workers costing $3 an hour or less. Perhaps more investigation could be done on how shareholders making ambitious demands can price their companies out of more competitive market sectors.

We are coming up to a tricky period of transition for the British economy. Consumer spending has been driving the recovery so far but domestic consumption is already very high and if the next stage is to be healthy there must be an emphasis on capital investment and exports. But if domestic companies have excessive expectations of profits, because they seek to satisfy the ambitions of pension fund investors, who have enjoyed dividend growth of 10 per cent and a total rate of return of 22 per cent on UK equities annually on average over the past 15 years, they may be scratching around for opportunities. There is a limit to the availability of newly-privatised monopoly utilities with huge cost-cutting potential.

In an open economy, of course, greedy domestic investors will be outbid by foreigners. We have seen key industries such as motora (Rover, for instance) and semiconductors drift into overseas control. Perhaps we can afford to leave the duds and the marginal cases to overseas' owners. With luck, they will continue to run the operations in the UK, at least for a while. But the persistence of a substantial trade gap through a deep recession indicates a chronic shortage of available capacity.

There is a mirror image contrast with Japan, where in the late 1980s vast amounts of capital became available to industry at almost zero cost. The result was an explosion of investment in low return productive capacity and today Japan runs a trade surplus of $140bn a year. This is not an example to follow either, because economic logic requires that the yen must be squeezed up to ruinous levels so as to force the closure of capacity and restore some sort of equilibrium. Investors, meantime, have lost heavily.

In the UK, in spite of recent setbacks, stock market investors are sitting pretty by comparison. Managers of UK companies are making the assets sweat. But soon the government could be sweating too.

MARKETS

London

If only he'd gone to Dallas

Roderick Oram

For some in British business, this was a week for moving on. Shareholders of British Aerospace met on Wednesday to vote on the sale of Rover to BMW. Some protested outside the meeting with a 23-year-old Land Rover and a "Sale of Rover: Industrial Dunkirk" banner. Others protested with equal passion inside, voting 111 to 42 against the sale. But the proxies, mostly from institutions, swung it for a final count of 119.6m for the sale and 2.9m against.

Of the board members who took the flak from shareholders, John Cahill, chairman, is retiring to Florida with £3.5m remuneration and George Simpson, Rover's chairman, is off to be chief executive of Lucas in Birmingham.

If only Alan Greenspan, chairman of the US Federal Reserve Board, had gone to Dallas yesterday as planned, markets in the US and abroad could have ended the week on a quieter note and faced next week with less trepidation.

The last time he cancelled a speech there to attend to pressing business in Washington was Black Monday, October 19, 1987.

His summons to the White House yesterday sent rumours coursing through global markets. Was President Bill Clinton trying to dissuade the Fed from raising interest rates? Or was the Fed trying to prepare the politicians for a big rate increase?

The answer will not be known until after next week's meeting of the Fed's policy-making open markets committee. But the prospect of tighter US monetary policy, following reports this week of very strong US economic growth but subdued price pressures, knocked markets in London more than in New York.

All week in London, gilts performed worse than bonds abroad, ending the week down some 1.5 per cent. The main domestic economic news that harmed gilts was an unexpected pick up in the growth rate of average earnings in January, a factor that could delay UK interest rate cuts.

For the first time in many weeks, however, equities managed to hold their own against a falling bond market. In spite of being badly unsettled yesterday by Greenspan and the expiration of derivatives contracts, the FT-SE 100 index finished the week up a net 26.2 points at 3,218.1

The other key UK economic statistic of the week was the 0.5 per cent fall in retail sales in February. This weakness could be taken, however, as a positive and rational action by consumers ahead of April's tax increases. Rather than suddenly curb their spending when their pay packets shrink, they are already adjusting their budgets, argue David Walton and Martin Brookes, economists at Goldman Sachs.

Moreover, many people appear to be over-estimating the impact of the tax increases. Once they realise the true hit is smaller, they will feel more inclined to spend. As the chart shows, Goldman Sachs is forecasting that retail sales volume has been shrinking before the tax cut but will recover quickly afterwards. Concern over spending has dragged down the general retailers sector in the FT-SE-A All-Share index.

The improvement in finances of those people in work and with a mortgage will continue, the economists believe. They are forecasting 3 per cent real annual growth in post-tax, post-mortgage income in the four years 1991-94. Thus consumer spending will rise by about 2.5 per cent this year, the same rate as last year. Partly because of this strength in consumer spending, the main driver to the current recovery in demand, GDP will rise 3 per cent this year and next.

It remains to be seen whether the Government and the Bank of England are as convinced as Goldman Sachs about the durability of consumer spending and growth to refrain from cutting interest rates.

Recovering markets was the theme running through many results reported this week, most notably in the construction and building material sectors. Wimpey doubled its trading profits last year to £41m thanks in part to building 25 per cent more houses than a year before. The general construction sector's recovery is accelerating. Orders rose 30 per cent in the three months to the end of January from the same period a year earlier, to the best level since 1989.

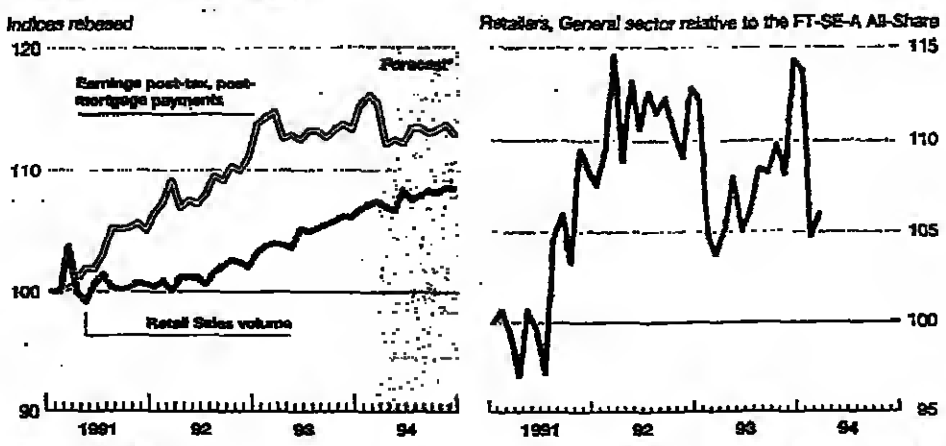
In the materials sector, Wolseley, Travis Perkins, Heywood Williams and Marley all reported this week sharp upturns in operating profits although some of them were hit by restructuring costs. For others, notably Wolseley, a little pick up in demand is going a long way.

"If you have a formula that seems to work, then it seems advisable to press on," said Jeremy Lancaster, its chairman. By his standards that was a vague and subdued comment but he said he felt constrained by the Stock Exchange's new rules on disclosure.

Restructuring – underway and complete – was a theme among other results in the busiest reporting week so far this season. United Biscuits faces the biggest task, taking a £121m charge mostly to sort out its Keebler subsidiary in the US. This left pre-tax profits down 28 per cent at £116.7m and the dividend unchanged at 15.3p. On a more modest scale, Simon Engineering reported a £160m loss for the year and said it would launch a £50m rights issue once it had renegotiated its bank debt.

Sometimes, though, surgery alone fails to restore financial health. Saatchi & Saatchi is now a lean global advertising group, reporting a return to pre-tax profits of £19.2m. But flat revenues indicate it is having difficulty winning new clients. In an business where upbeat morale is a crucial ingredient, one drag on performance appears to be tensions between some senior management and Maurice Saatchi, the chairman. He appears to have adapted less well than his colleagues to the spartan regime.

Life after the tax hike



Source: *Goldman Sachs. Source: FT Graphite

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1993/94 High	1993/94 Low	
FT-SE 100 Index	3218.1	+26.2	3520.3	2737.6	Increased dividend news
FT-SE Mid 250 Index	3885.2	+8.2	4152.8	2876.3	Overshadowed by Footsie stocks
Barclays	522xd	+41½	652	382	Dividend optimism/Nomura "buy" note
Euro Disney	412¾	-12¾	1180	268	Rights issue/restructuring
Gold Greenlees Trott	184	-55	295	183	Dividend to be cut
Graham Group	216	+13½	218	195	Buoyant builders merchants
JIB	195	+15	215	162	Well-received figures
Learmonth & Burchett	96	-44	365	95	Profits warning
Legal & General	502	+35	547	408½	Profits up 56%
National Power	470	+33	510	273	NatWest Securities "buy" rec
Persimmon	313	-24	382	197	£49m rights issue
Sainsbury (J)	388	+28¾	584	342	Brokers positive/rationalisation
Schroders	1169	+116	1460	467½	Profits up 85%/div up 50%
United Biscuits	348	+19	437	324	Results provide relief
Wolseley	935	+40	975	533	Better than expected results

Serious Money

Pilot error brings F&C to earth

Gillian O'Connor, personal finance editor

Savings schemes that look too good to be true usually are. When F&C launched its High Income unit trust, with a 10 per cent yield, just over a year ago, it seemed outstandingly attractive.

True, the company itself pointed out that the yield was not guaranteed. And it said, openly, that investors were sacrificing most of their hopes of capital growth in order to enjoy this yield. But investors loved it.

Many were despairing refugees from banks and building societies – and they had good reason to despair. For as the chart on page III shows, their income was being squeezed, not just in nominal terms but also in real (inflation-adjusted) terms.

The trust was structured cleverly so that it could be tucked inside a general personal equity plan. So, investors could enjoy the income free of tax. Quite how the fund managers achieved all this was a bit harder to work out.

Just over half of the money went into blue chip UK shares - which gave the fund its general Pep credentials. The bulk of the rest went into "designer debentures" – short-term loans to blue chip borrowers which came with a bunch of premiums from selling options "embedded" in them. The option element performed the miracle of getting the yield on the debentures up to 25–30 per cent. Repeat, 25–30 per cent.

The snag was that capital losses were also effectively "embedded" in the debentures: that is, they were likely to produce a capital loss on redemption. The rump of the fund was kept in cash, with part going to buy FT-SE 100 put options which would act as a safety net if the market fell out of bed.

If some of this leaves you boggling, you are not alone. Few people understood even the broad principles of the fund. And it was impossible for even a knowledgeable outsider to make any sensible judgment on the detail. The broad idea seemed to be that the debentures were a way of turning capital into income, but the management hoped the share portfolio would produce compensatory capital growth.

F&C was, however, pretty clear about what the effect of any future changes in interest rates would be: "The fund's deposit income will be lower when interest rates are low. But Foreign & Colonial's calculations show that the projected 10 per cent income return will be achievable with base rates in the range of 4 per cent to 14 per cent. The income generated by the fund will not be affected by base rate cuts within this range."

Not an actual promise, but it is hardly surprising that this statement acted as a clarion call to the financial advisers who made so much money selling the High Income fund. In just over a year, the F&C fund pulled in £500m, a remarkable amount for any new trust.

Another fund management house, Morgan Grenfell, produced a copycat product which has attracted £40m. But a third group, Save & Prosper, which had been planning to enter the market, pulled out suddenly in December. It explained that it was worried that a fund yielding as much as 10 per cent would devour its capital in order to meet its income target. It reckoned there was a 50/50 chance of investors losing half their capital in seven years; the rest would then evaporate even faster.

This week, even though base rates are 5¼ per cent, F&C announced plans to cut the High Income fund's yield from 10 to 9 per cent at the end of June. Its main explanation was that the reduction in money market rates had reduced the level of option premiums, and that it was expecting rates to fall further.

Well, yes. But what really leapt to the eye was the capital performance of the units. Anyone who had paid the full 25p to buy the shares on their initial launch would, after costs, this week have got back only 22.6p. So, a near-10 per cent fall in capital value neatly cancels out the 10 per cent income received over the year.

Roughly half the fall can be put down to the initial charge on the fund. But the rest is genuine capital loss resulting from the managers' chosen strategy. The Morgan Grenfell units have also shrunk in value since their launch in September. The stock market as a whole has risen over the period: the FT-SE 100 index, which includes the major companies in which the F&C fund invests, is around 15 per cent higher than when the fund was launched.

To be brutal, it has been a very disappointing investment.

That, though, is history. What investors want to know now is whether they should cut their losses, or whether F&C has just been going through a sticky patch.

Some brokers have started suggesting investors should switch into equity income funds, which have produced far better total returns recently. But switching is always costly. And it is by no means certain that stock markets will provide such a favourable background for other funds over the next year.

Does the F&C fund warrant a cold shoulder in its own right? Here are two points to ponder.

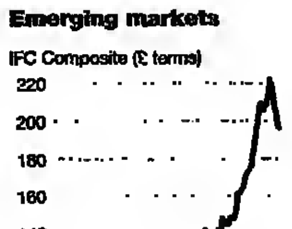
First, the fact that some capital has been lost already makes it even harder for F&C to produce the goods in future. It will have to run ever faster to stand still. Getting a 9 per cent yield this year could prove as costly in capital terms as getting a 10 per cent yield last year. Second, it is hard to feel comfortable relying on a black box formula that has produced a crash landing on its maiden flight.

AT A GLANCE

Finance and the Family Index

Emerging markets

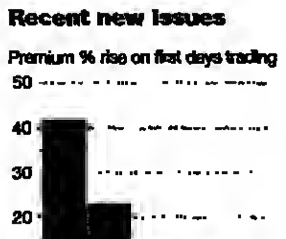
IFC Composite (£ terms)



Source Datastream

Recent new issues

Premium % rise on first days trading



Fall in world's emerging stock markets

The world's emerging stock markets continued the fall that began last month. The setback affected even Latin American markets, which had taken over from south east Asia as investors' favourites – though some individual markets bucked the declining trend. Michael Hughes, of BZW, said that although the emerging markets bubble has not burst, there has been a clear change in attitude by investors.

Debutantes find favour

As House of Fraser led the latest batch of new issues towards the stock market (see page IV), this week's debutantes won a generally favourable reception. Premiums on the first day's trading ranged from just under 4 per cent for Applied Distribution to more than 40 per cent for Waste Recycling.

Hoare Govett sterling bonds

Hoare Govett is planning an issue of sterling bonds, with additional income generated by Waldner Financial Corporation, a Chicago based money manager which boasts annual returns of 47.6 per cent over the last 10 years.

Eighty per cent of the money invested is used to buy triple-A rated sterling bonds for collateral, while the remaining 20 per cent is managed by Waldner, which has a technical "quantitative" management approach.

According to Hoare Govett, the worst case is that the investor gets half the interest normally paid on a triple-A rated sterling bond, but based on past performance returns would be close to 20 per cent.

Legal & General bonus rate cuts

Legal & General has cut all its with-profits reversionary bonus rates but those on terminal bonuses are mixed, with some being held, others cut and some increased compared to 1993 rates. The maturity value of a 25-year with-profits endowment policy, taken out by a man aged 29 paying £30 a month, will be £62,043 on April 1, a slight rise from £60,112 last year. Maturity values for 10-year endowments are virtually unchanged while the value of a 15-year endowment on the same assumptions will be lower at £14,237 compared with £14,742 last year.

Smaller companies decline again

The Hoare Govett Smaller Companies Index (capital gains version) fell 0.6 per cent to 1812.96 in the week to 17 March. The FT-SE-A All Share Index increased by 0.3 per cent over the same period.

Wall Street

Good news on inflation fails to lift spirits

There was plenty of promising news on inflation this week, continued signs of strength in the economy, and an encouraging earnings forecast from a big manufacturer, yet it was not enough to lift spirits on Wall Street.

If any more evidence of financial markets' jittery mood was needed, it came yesterday morning, when bond and stock prices dropped sharply after it was reported that Alan Greenspan, chairman of the Federal Reserve, had been called to to see President Clinton.

Although the Fed said the meeting was routine, it was unplanned – Greenspan had to cancel an appointment in Texas to make it back to Washington DC in time. This prompted speculation among traders and investors that the meeting was somehow a signal that the Fed was about to raise interest rates again. Perhaps, the rumours went, the White House had got wind of plans for another monetary policy tightening, and wanted to call in the Fed chief to explain himself.

The speculation was way off the mark. The president and the Fed chairman meet fairly regularly, and the White House said it had called Greenspan to Washington on Friday because Clinton was going to be difficult to contact over the following weeks due to a hectic travel schedule. Also, it would be extremely unlikely that if the president wanted to dissuade the Fed from raising interest rates, he would choose to do it at so public a meeting.

Yet, the speculation surrounding the Clinton-Greenspan parley was enough to take 17 points off the Dow Jones industrial average in the first few minutes of trading, and send the benchmark 30-year government bond down almost a point, pushing the yield back above 6.9 per cent.

Fortunately, once everyone had calmed down, the stock market came to its senses, and the Dow recovered its early losses. Bonds, however, remained anchored in negative territory, perfectly illustrating the mess the Treasury market is in. For bond yields to have jumped back to 6.9 per cent in a week when all the news on inflation was positive defied logic.

First, the February producer prices index was released on Tuesday, and it showed an increase of just 0.1 per cent in "core" producer price inflation (excluding the volatile food and energy components). Then, a day later the consumer prices index was reported to have risen by only 0.3 per cent last month, a figure that was in line with expectations and one that put the annualised rate of consumer price inflation 0.3 percentage points below the 1993 – which was itself the lowest inflation rate recorded in years.

Finally, on Thursday, the Federal Reserve Bank of Philadelphia issued its monthly report of local economic conditions. It noted that prices of goods sold in the region had moderated during the month. This was especially welcome news, because it was the Philadelphia's Fed's warning about rising inflation in its local markets that had triggered a February sell-off of bonds.

Yet none of this was enough to lift bond market investors' spirits, and the gains Treasuries had earned midweek were quickly wiped out on Thursday and Friday. Admittedly, stocks fared better, especially in the latter half of the week, but it was clear that both markets are not going to calm down in a hurry, whatever the inflation facts say.

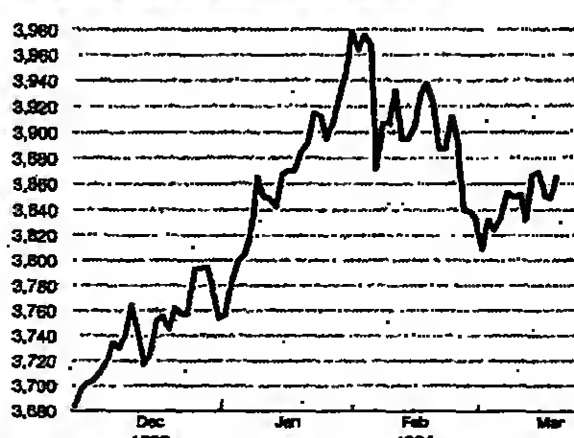
This week, thankfully, was not all about inflation. Secondary stocks, as measured by the Nasdaq composite index, put in a good showing. The Nasdaq composite reached an all-time high of 803.85 on Thursday, powered by strong demand for technology stocks. Traders said Nasdaq stocks had become oversold earlier this month, and with cyclicals and larger-capitalisation issues languishing, investors jumped into technology company and other growth-oriented stocks in search of bargains and quick gains.

There was also some heartening news from a leading manufacturer. Caterpillar, the world's largest maker of earth-moving and construction equipment, predicted healthier first quarter earnings than it had originally estimated, and announced plans to hire additional workers to cover a surge in demand. It was the third time since November that Caterpillar has had to add to its workforce.

Ignoring inflation jitters, and the bearish bond market, this is the kind of news investors want to hear – a strengthening economy, growing demand for goods and services, an expanding labour force, and improving corporate earnings. Not surprisingly, all of this has done wonders for Caterpillar's share price. From a low $57¾ last year, Caterpillar's stock has soared more than 100 per cent.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3862.98	+	00.28
Tuesday	3849.59	–	13.39
Wednesday	3848.15	–	01.44
Thursday	3865.14	+	16.99
Friday			

The Bottom Line

Is UB a crumbling cookie?

For those with a pessimistic turn of mind, Thursday's results from United Biscuits raised a familiar question: Is the company big enough to survive in the changing world of food manufacture?

The thesis is straightforward. Food processing is being dominated more and more by a handful of giants such as Nestlé or Unilever. They can link their operations across whole continents, and have international brands.

They can afford to drive down the cost of production and force up their marketing spending. They can afford to invest across the developing world, where the real growth lies in the next century. In that light, UB's position looks rather shaky.

Historically, much its most important market outside Britain has been the US. On Thursday it announced restructuring charges there of more than £90m. Its US profits are past the worst – but its margins are still half what they were two years ago, and its market share is down.

The position is not much brighter at home. UB has a dominant 44 per cent of the UK biscuit market but its profits there fell 10 per cent last year. In snacks, where it is also market leader, profits fell 4 per cent last year. Retreating to the home market, plainly, is not an option.

Eric Nicoli, UB's forthright chief executive, will have none of this. First, he argues, the fall in UK profits is not primarily the result of competition.

Second, the US subsidiary, Keebler, clearly is recovering. Third, UB's situation outside the UK and US has been transformed in the past four years.

These points are worth taking separately. Last year, Nicoli says, UK raw material prices increases were in double figures. The new crop of nuts – in which UB is market leader – was up 50 per cent. With inflation running at around 2 per cent, passing on that kind of increase was not feasible.

In any case, he says, the competition is not so much international giants as small domestic operators trying to get bigger. Around Europe, UB is not dominated by big companies. In biscuits, it is number one in the UK, Holland, Denmark, Finland, Hungary and Poland. Europe's biggest biscuit maker, BSN, of France, is No 1 in France and Belgium and, says UB, almost nowhere else. "Biscuits are BSN's least profitable part and are a low priority for them," Nicoli says. "They'll be reluctant to divert funds to duff us up."

As for recovery in the US, it remains to be seen how sustainable it will prove. The restructuring plan has been produced by a new management installed last year. The old team, Nicoli says, had a volume-driven strategy which, although ideal in the 1980s, was quite wrong for the 1990s.

Certainly, a recovery in the US is of central importance to the group. It must expand internationally; but, given the pressures in the UK, the domestic business cannot fund such expansion on its own.

It is in the international field, though, that Nicoli makes his strongest case. Four years ago, UB had no significant presence outside the UK and US. Last year, continental Europe and the Asia/Pacific region produced 22 per cent of group profits.

Since UB cannot afford to match the likes of Nestlé in the breadth of its investments, it is focusing on Asia and central Europe. It has 5 per cent of the biscuit market in the Shanghai area. It manufactures in Japan, the Philippines, Malaysia and Indonesia. As for eastern Europe, its dominance in Hungary and Poland speaks for itself.

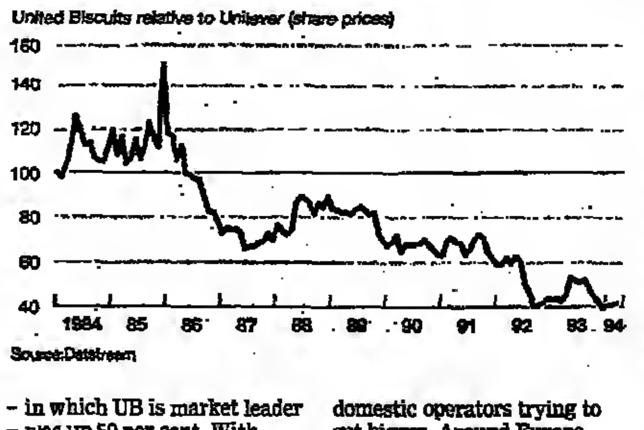
Nevertheless, it remains worrying that, in all its chief markets, UB is up against companies which, as corporate entities, are several times its size. This could help to explain why UB's shares rose on Thursday in response to a headline fall in profits of 28 per cent.

If the company cannot succeed on its own, the assets which it has assembled so painstakingly will be worth a good deal to someone else.

Tony Jackson

It pays to be big

United Biscuits relative to Unilever (share prices)



Source:Datastream

FINANCE AND THE FAMILY

Investors who need income

***Scheherazade Daneshkhu** looks at the snags*

For many investors, a decent income is a priority – but getting one has become increasingly difficult since the steep fall in interest rates over the past 18 months. Providers are finding the going tough, too. This week, Hypo F&C's High Income unit trust, which has pulled in more than £500m since its launch on the back of an offer to pay an annual 10 per cent, said it would cut the payout to 9 per cent from June (see Serious Money on page II).

Since the launch of the trust in February 1993, there have been two cuts in base rates, taking them from 6 per cent to 5.25 per cent. British interest rates are bottoming out, but many experts believe there will be another rate cut this year. This would make it even harder for income-seekers to live off their savings.

There are any number of products designed to meet the need for income, but they can be divided into three types of investment: cash, bonds and equities.

■ **Deposits**

We list the highest bank and building society rates weekly in our highest rates table (page VIII). The highest returns are on the larger deposits. Norwich & Peterborough's postal account is paying 7 per cent gross on £60,000, while some notice accounts will pay similar rates on smaller amounts.

Rates are low for those with savings under £5,000: Halifax, the largest building society, is paying just 3.5 per cent gross on £1,000 and 3.75 per cent gross on £2,500.

Postal accounts tend to pay the higher rates – but although they are described as instant access, it will usually take a week before you can get your hands on the cash.

The trouble with chasing rates is that they can change rapidly.And they will fall again if base rates are cut once more. Moreover, although most people think of a society as "safe", because the nominal value of its capital remains the same, they tend to ignore the effect of inflation on that capital.

This is not as great a problem today, with the retail price index rising at 2.5 per cent in the year to January, but even at 4 per cent – the top of the government's target range – the value of money halves in 18 years. The chart (right) shows how significant the effect of inflation can be in determining the real rate of return.

■ **Bonds**

These are the traditional investment for income-seekers in most countries. At Thursday's close, the redemption yield on UK government bonds, also known as gilts, was 6.67 per cent over five years and 7.33 per cent over 10 years. Riskier bonds, such as those issued by companies and some foreign governments, will pay higher yields. The drawback with bonds is that you run the risk of capital loss if their price falls. And, if you buy a gilt for more than face value, you are certain of a loss if you hold it until maturity.

■ **Equities**

Over the long term, equities give protection against inflation and offer the potential for much higher capital gains than from cash or bonds. But the volatility of the markets means you cannot regard equities as a straightforward alternative to a building society. The present yield on the FT-SE-A All-Share index is only around 3.5 per cent; but by choosing companies which pay higher dividends, such as utilities, you can achieve higher rates.

Income shares of split-capital investment trusts are aimed specifically at income-seekers. Instead of issuing just one type of ordinary share, split-capital trusts issue two or more types; these lay claim to different parts of each trust's assets and dividends. Income shares receive the majority of the trust'a dividends but are at the back of the queue for capital gains. At present, they have an average yield of about 11.6 per cent. But they carry the risk – in some cases, the certainty – of capital loss.

■ **The total return theory**

The most common way to seek an income is to look for investments with the highest interest rates; the snag is that, usually, the highest returns are found on the riskiest investments. But those people with large portfolios and a firm grip on their finances can afford to think about income in a different way. By investing for total return – both income and capital growth – they can take some of the annual growth as income, with the advantage that it will be taxed as capital gain. If the amount taken falls within their capital gains tax allowance of £5,800 (£11,600 for a married couple), there is no CGT to pay.

Richard Boyton, of Boyton Financial Services, says: "Assume that someone has invested £10,000 in 10 £1,000 shares and, after one year, the value has increased to £15,000. Now let us assume that he has not used his CGT allowance but wishes to enjoy 'income' of £1,500. He sells one share for £1,500, of which £1,000 is the original capital and £500 is gain. The £500 would not be subject to tax (since it falls within his CGT allowance) and so the whole £1.500 would be tax-free in his hands."

Robin Angus, director of equities at NatWest Securities, is another enthusiast about the total return theory. In the company's latest Investment Trust Annual Review, he writes: "I simply cannot understand why people chase income through buying investment prodncts offering fancy yields when, through investing for total return and realising some of their capital gains, they could satisfy their financial needs while getting a higher total return and paying less tax into the bargain."

The danger with turning capital into income is that you can overdo it. You could simply be returning capital to yourself in the form of income. For the system to work, the investment needs to grow at least as much as the amount being taken out annually. Furthermore, dealing costs will reduce the return.

There are packaged products making use of the idea. Ivory & Sime has an investment trust which makes use of the annual CGT exemption. The trust sells a proportion of an investor's holding automatically each year in order to generate monthly income. The first £5,800 of income from these sales is tax-free. The net asset value of the trust increased by 16.9 per cent in the six months to its year-end on December 31, and the board has decided it can afford to increase the annual return from 7 to 7.15 per cent from April.

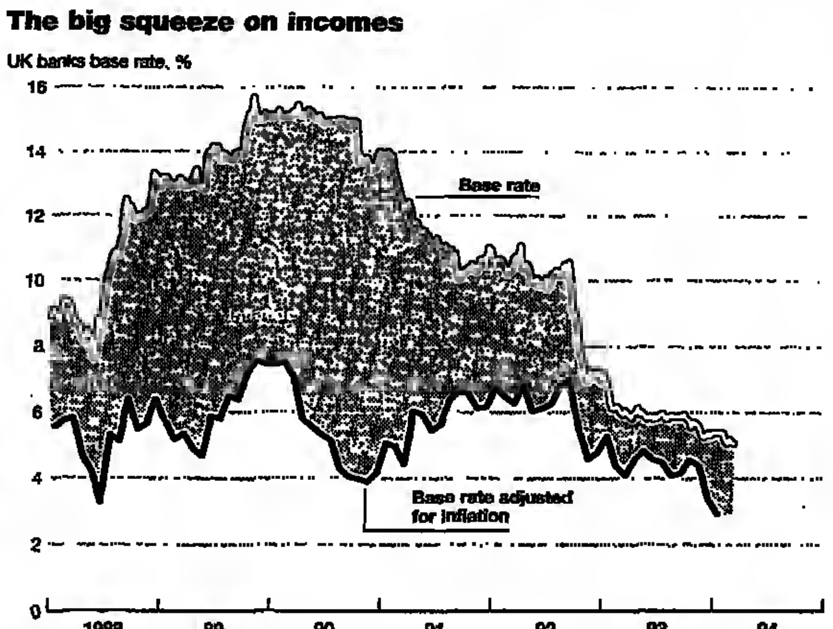
James Capel's Generator personal equity plan, and Newton's Distributor fund, are unit trusts which allow the investor to choose the annual level of income they withdraw up to a maximum of 9 per cent (Newton) and 7.5 per cent (Capel).

Both aim to replace the capital withdrawn but cannot guarantee to do. By investing through a Pep, the investor does not need to worry about CGT or income tax but faces initial and annual charges of 5.25 per cent and 1 per cent (Capel) and 6 per cent and 1.5 per cent (Newton).

The advantage of these Peps is that, theoretically, the investor is in control so that, if the stock market falls, he can stop taking income in order to minimise capital erosion. The danger is that he becomes dependent on the income stream.

The total return theory works in a rising market or if capital gain has built up untouched over the years. But great care is needed not to withdraw too much capital, undermining the scope for future growth.

The big squeeze on incomes



Source: Datastream

What the experts say...

☐ PETER SMITH, of financial adviser Hill Martin, believes the total return theory is suitable only for those with a large portfolio. Others could easily run the risk of simply eroding their capital, especially in a falling market.

His favourite recommendations for income-seekers are the income shares of split-capital investment trusts. Exeter High Income is a unit trust which invests in these and has a yield of about 8.5 per cent gross. "Yon can still take 5-6 per cent net from insurance bonds if you are a nervous eqnity investor and European bonds are paying 6.5-7 per cent gross," Smith says.

Smith advises those who still keep a large amount of money in the bank to transfer it into a building society postal account, at least. "There is not mnch wrong with cash at the moment. If inflation was high, it would be a different matter."

To those approaching retirement, he says: "People tell you not to buy an annuity at the moment on the basis that interest rates are supposed to shoot up again, I just don't believe this will happen. Yon can choose an escalating annuity which will guarantee your income and pay an increasing amount each year."

☐ ROBERT NOBLE WARREN, of financial adviser Murray Noble, believes that since most funds cannot beat the average stock market indices, an index fund, which aims simply to track the indices is a good idea, particularly since charges are lower than on other funds.

His advice to income-seekers? "Bny index funds with low annual charges, such as Morgan Grenfell's UK Tracker; pay attention to tax-favoured investments and tax-saving arrangements so as to use all personal allowances (you can save 1 per cent a year by doing so); and consider spreading the income risk into other European countries such as French Eurobonds, yielding 6 per cent or more, and Spanish deposits. Fidelity Money Funds (Bermuda) Spanish Peseta has a yield of over 7.5 per cent."

He adds: "We still favour split-level investment trusts if yon really have to seek ont a high income, at the risk of capital. The M&G Dual yields 28.8 per cent with capital depreciation, while New Throgmorton is on 10.4 per cent.

"We don't expect dividends to increase much, so we don't think there is any way round taking the gains from the portfolio to make np income. So, if yon have to get over 5 per cent income, yon are going to have to take some of it from capital."

FINANCE AND THE FAMILY

The Week Ahead

Lucas finds the going tough

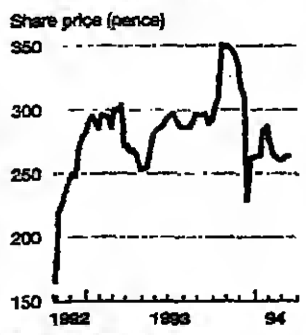
Lucas, the motor and aerospace components group, is expected on Monday to report interim profits of between £15m and £19m, compared with £5.2m last time. Analysts still hope the Midlands-based group will make more than £80m in the year to July, and the skewing of profits to the second half reflects continuing tough trading conditions – particularly in continental Europe.

Also on Monday, Argos is forecast to announce full-year pre-tax profits of about £82m, up from £65.6m last year before the £12.7m provision to cover closure of the group's Chesterman furniture chain. The total dividend is expected to be raised from 7p to 7.6p.

On Tuesday Bowater, the packaging, printing and coated products group, is expected to unveil another strong performance, with full-year pre-tax profits up about one-third from £147.2m to about £196m. The total dividend is forecast to rise from 11.5p to 12.5p.

Changes in the US weather and the prospects for the regulatory climate in the UK will hoth have their impacts on Tuesday's results from Prudential, the financial services and life insurance company. The range of analysts' forecasts is £510m-£567m in pre-tax profits, compared with pre-tax profits of £406m in 1992 – more than double the 1991 figure. The consensus on the final dividend is 13.1p.

Dorling Kindersley



Source: FT Graphite

Final results on Wednesday from retail group Kingfisher, which includes Woolworth, Superdrug, Comet and B&Q, as well as Darty of France, will be watched very closely after the group made a disappointing trading statement for the 24 weeks to January 15. Analysts downgraded their pre-tax profit forecasts then from between £300m and £320m to about £295m – up from £234m, reflecting the impact of the Darty acquisition last year. Total dividend is forecast at 14.3p, after an adjusted 13.3p last year.

Peninsular & Oriental Steam Navigation Company is expected on Thursday to reveal pre-tax profits of more than £500m for 1993, compared with £270.4m last year. The figures will be inflated by around £250m of exceptional profits and brokers are forecasting a more modest £250m pre-tax profit from underlying business. Dividend is likely to remain at 31.5p.

The City is expecting only modest growth in profits at United Newspapers, publisher of the *Daily Express*, which declares its full-year results on Thursday. The recovery in advertising has been fragmentary and United's national titles have come under severe competitive pressures. Derek Terrington, of Kleinwort Benson, is looking for pre-tax profits of £115m compared with £109.9m in 1992.

Wellcome, which has interim results on Thursday, has the dubious distinction of having been the worst-performing FT-SE 100 stock of 1993. How well it does in 1994 will be influenced by the fortunes of Zovirax, its biggest selling drug. Zovirax is now facing its first genuine competition, in the shape of SmithKline Beecham's Famvir. Goldman Sachs, the stockbroker, is looking for at least £400m of Zovirax sales in the first half and group pre-tax profits of £360m.

Reckitt & Colman's range of household brands is expected to make full-year profits – to be reported on Thursday – of around £280m pre-tax, compared with £161.7m in 1992 – a figure depressed substantially by £56.9m of losses on the sale of the US spice business and a £9.6m restructuring charge. A rise in the dividend of around 8 or 9 per cent is expected, after the interim was increased by 8.4 per cent.

New Issues

Fraser floats

House of Fraser, the department store chain which stretches from Inverness to Plymouth, *is being floated off* by its owners ths Fayed brothers, valued at £413.3m, *writes Neil Buckley*. They will keep the chain's former flagship, Harrods, leaving House of Fraser with 56 stores trading under 17 names such as Binns, Rackhams, Dickins & Jones and Army & Navy.

The share price announced on Thursday of 180p was at the bottom end of expectations. After the group unveiled pre-tax profits of £34.5m on sales of £721.7m for the year to January 31, most analysts had been forecasting 190p to 200p, valuing the group at between £436m and £460m.

S.G. Warburg, broker to the offer, is thought to have been persuaded by the recent volatility of the stock market to go for the lower price. It equates to 16.2 times historic earnings and, on a notional dividend of 5p, gives a gross yield of 3.5 per cent. But, by setting the price at this level, the group has largely neutralised Investors' concerns over the legacy of several years of directionless management, and over growth prospects. The shares look attractive and could well go to a small premium.

Three-quarters of the 229.6m shares are being placed with institutions, with the rest offered to the public. Deadline for applications is March 25 and dealings start on April 6.

■ Wainhomes this week became the latest housebuilder to announce terms of its flotation, *writes Andrew Taylor*. It is seeking to raise £30.5m from a placing and offer for sale priced at 170p a share and valuing the company at £106m. The issue follows Beazer Homes which, the previous week, announced details of its flotation plans. These valued the company at £463.4m, with shares at 165p.

Compared with Beazsr, Wainhomes would seem a little expensive on a notional yield of 3.1 per cent and p/e of 18.3 times on forecast earnings of 9.3p in the year to March 1994. The companies, however, are very different animals.

Beazer is a proven national house-builder, producing nearly 5,000 homes a year. Wainhomes remains a small regional builder constructing fewer than under 1,000 homes a year, although this is expected to rise to 1,800 by 1995/96. The upside potential, therefore, is claimed by Wainhomes to be greater than Beazer.

It has had a solid record during the recession and operating margins are at the top end of the sector. On that, basis it is probably worth supporting. The broker is NatWest Wood Mackenzie.

■ Investors get the chance of taking part in the increasing sales of educational equipment in the UK following Nottingham Group's announcement this week of details of its £13m intermediaries offer, *writes Simon Davies*. The company is being valued at £81.4m and brokers say applications had to be scaled back for the £25m pre-placement to institutions.

The pricing is attractive. At 155p, the shares are on a 1993 p/e (before exceptional write-offs) of 14.2 and a notional yield of 4.45 per cent. Goldman Sachs and James Capel are brokers to the offer, which closes on March 24.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Abbott Mead Vickers	Med	Dec	4,750	(4,720)	18.7	(18.7)	10.5	(9.3)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spandex	BlCn	Dec	5,450	(4,460)	32.0	(22.5)	7.0	(6.5)
Specialeyes	HCr	Nov§	451 L	(2,270 L)	-	(-)	-	(-)
Spring Ram	BdMa	Jan	36,400 L	(21,100)	-	(9.8)	0.1	(0.346)
Tafare	Hth	Dec	14,900	(11,800)	13.7	(12.1)	2.07	(1.8)
Telspec	EnB	Dec	3,410	(3,360)	8.28	(7.13)	-	(-)
Trade Indemnity	Insc	Dec	5,800	(4,900L)	4.5	(1.0L)	0.5	(-)
Travis Perkins	BlMr	Dec	20,500	(10,300)	13.0	(6.7)	5.5	(5.5)
Vivat	Text	Dec	3,450	(1,950)	3.5	(2.0)	1.25	(1.0)
United Biscuits	FdMn	Jan	116,700	(161,800)	12.8	22.3	9.8	(9.8)
WSP	SpSv	Dec	252	(560)	1.0	(3.8)	1.8	(2.0)
Wassall	Dvln	Dec	27,800	(17,800)	11.7	(9.5)	3.4	(2.5)
Watmoughs	PP&P	Dec	15,400	(12,200)	15.9	(13.0)	6.6	(5.75)
Williams	Dvln	Dec	158,200	(157,400)	15.7	(18.6)	12.75	(12.5)
Wimpey (George)	B&C	Dec	25,500	(111,600L)	6.81	(-)	5.25	(5.25)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Attwoods	OsSB	Jan	8,978	(19,326)	1.75	(1.75)
Automagic	-	Jan	163	(78)	-	(-)
Cala	B&C	*Dec*	*337*	*(2,852 L)*	*0.9*	*(0.75)*
Castle Communications	L&H	Dec	1,130	(927)	4.5	(4.0)
DBS Management	-	Sep	358	(1,030)	-	(-)
EFM Dragon Trust	InTr	Feb†	124.17	(-)	-	(-)
European Leisure	L&H	Dec	344 L	(54)	-	(-)
Everest Foods	FdMa	Nov	1,080	(1,180)	1.2	(1.2)
Exmoor Dual Inv Trust	InTr	Feb†	80.7	(82.2)	2.25	(2.6)
Headway	Chem	Dec	628 L	(583 L)	-	(-)
MAI	OtFn	Dec	46,200	(33,900)	2.0	(2.0)
Merivale Moore	Prop	Dec	133	(2,680 L)	-	(-)
Paterson Zochonis	Hse	*Nov*	13,600	(11,800)	2.45	(2.35)
Pochins	B&C	Nov	836,	1,800	56.2	(110.5)
Scholes	E&EE	Dec	2,400	(1,300)	1.7	(1.6)
Walker (Thomas)	-	Dec	*48*	*(71 L)*	*0.18*	*(0.18)*
Wescol	Eng	Jan	30	(13)	-	(-)
Wolseley	BdMa	Jan	87,000	(47,600)	4.72	(3.55)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. † Net asset value per share. ✶ Figures for nine months. ⁑ Figures for 3 months. ‡ Irish punts and pence. ⚘ US dollars and cents. ♦ Cost/income ratio. § Comparatives are for 78 weeks.

RIGHTS ISSUES

DCS is to raise £1.05m via a 1 for 3 at 55p rights issue.
Helton is to raise IR9.2m via a 4 for 7 at 56p rights issue.
Persimmon is to raise £49.2m via a 2 for 11 at 282p rights issue.
Simon Engineering is to raise £50m via a rights issue.

OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Cortecs International is to raise £15m via its flotation.
Fleming (Robert) is offering 81m shares in Central Shopping Centres at 230p.
GRT Bus Group is coming to the market via a placing.
Hamleys is coming to the market via a placing.
Hertstone is to raise up to £15m via a share issue.
Oxford Molecular is to raise £10m via its flotation.
Rugby Estates is to raise £19.7m via a placing.
Wainhomes is to raise £41.9m via a placing and offer of shares at 170p.
Wellington is to raise £13.5m via its flotation.
Wiseman (Robert) Dairies is to raise £15-16m via a placing.

RESULTS DUE

Company	Sector	Annnmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
APV	Eng	Wednesday	2.0	3.4	2.0
Abbeycrest	Text	Thursday	1.2	2.0	1.2
American Trust	InTr	Tuesday	1.5	3.4	1.6
Antofagasta	Dvln	Tuesday	6.0	14.0	8.0
Appleyard	Dist	Tuesday	2.6	2.6	2.8
Argos	ReGn	Monday	2.2	4.8	2.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

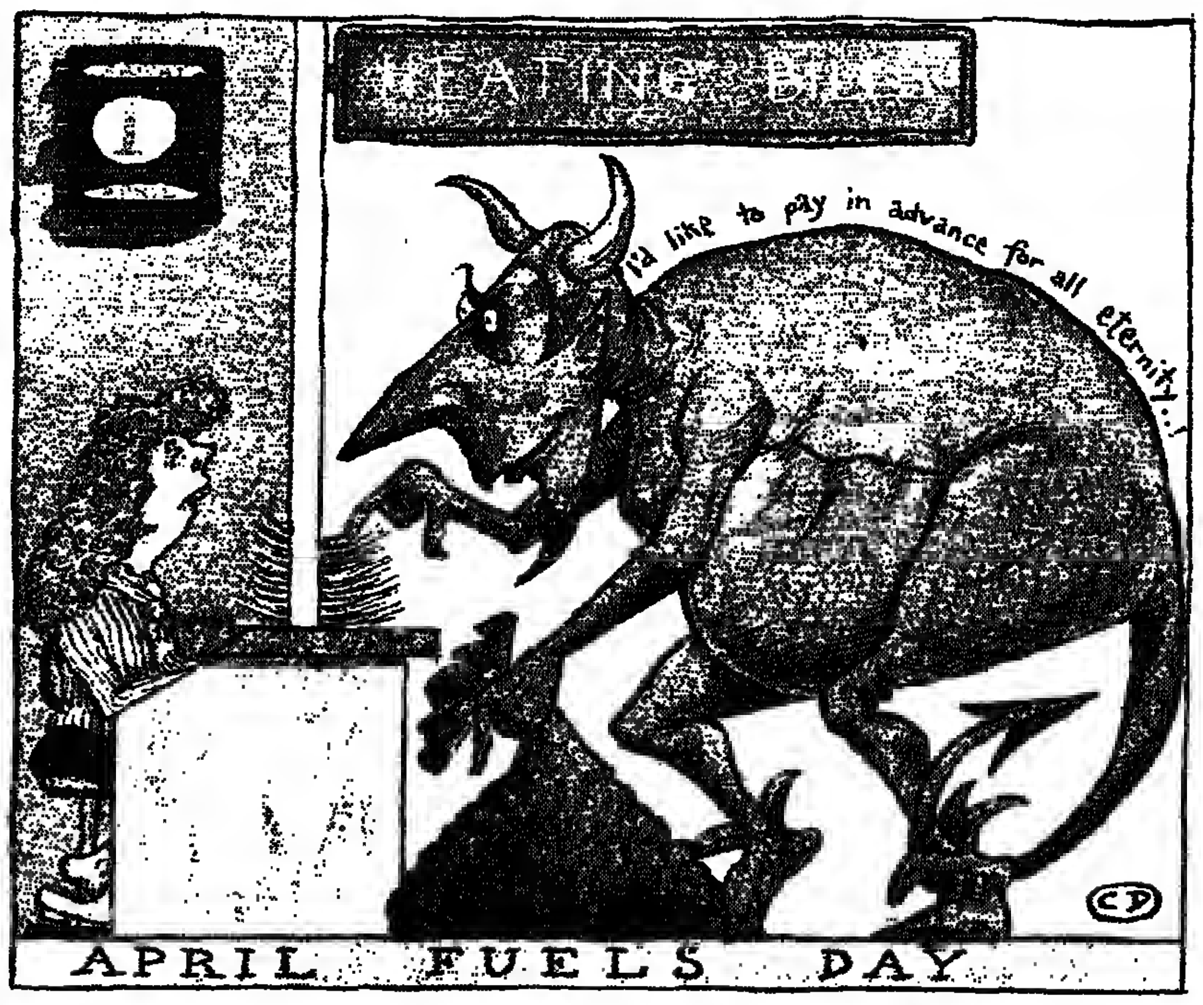
*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. ¶ 3rd Quarter figures. ★ 1st Quarter figures.

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Anglia Television‡	637§§	660	484	292.0	MAI
Europa Mins	62.2	52	-	16.0	Burmine
Freeman ‡	242	232	220	17.57	Sheffield Ins.
In Shops ‡	119	114	83	59.36	Birkby
LWT ‡	786§§	739	585	913.11	Granada
Magellan Inds	183	177	173	46.62	Claremont
Molynx	23.65	24	23	6.01	Silvermines
Reject Shop	22.4	30	58	2.5	Upton & Southern
Westland	299*	325	305	496.0	GKN

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 18/3/94. §§Shares and cash.

FINANCE AND THE FAMILY



Dodge that VAT

But move fast to pre-pay your fuel bills, says ***Bethan Hutton***

If you do not want to pay value added tax on fuel for the next year or two, you oeed to move quickly. By now, most people know that if they have spare cash, they can use it to pay in advance for gas, electricity, oil or coal supplies, so avoiding VAT of 8 per cent from next montb and 17.5 per ceot from April 1995.

This is because VAT is charged at the rate whicb applies on the date of invoicing or the date of payment, whichever is the earlier. If you pay before April 1, the rate is zero, so no VAT need be paid. But the utility and fuel companies need time to process cheques, so do not leave it until the afternoon of Thursday, March 31. To be safe, your paymeot should reach the relevant company within the next week.

Some electricity companies have been sending out blank bills to make it easy for customers to pre-pay as much as they like. If yours is not one of them, all you need to do is send a cheque with a covering note giving your name, address and electricity or gas account number. You should make clear that the money is to be treated as a pre-payment for future supplies.

If there is a chance you could move house before the pre-payment has run out, check that the power company would be willing to refund the balance.

A few eager customers are reported to have paid for more than 10 years' worth of fuel in advance. But have they thought through the implications? The two questions you should ask are:

■ How much money will I save by paying in advance?

■ How mucb will I lose by not keeping the money in, say, a building society and earning interest on it?

The further in advance you pay, the longer the money could have been earning interest and the smaller the savings become. But current interest rates are low. Many building society accounts pay only 3 or 4 per cent. The better ones pay perhaps 6 or 7 per cent on larger amounts. Since this is taxable for most people, the actual interest received is 25 or 40 per cent less.

In simple terms, this means that a saving of 8 per cent VAT on a year's worth of fuel is bound to be worth more in cash terms than the interest from keeping the same amount on deposit at present interest rates.

When VAT at 17.5 per cent arrives from April 1995, the potential savings will be much greater but, to avoid the tax altogether, pre-payment would have to be made before April 1 1994. Thus, more than a year's interest would be lost. This makes it more complicated to work out the advantages of paying in advance.

Accountant Stoy Hayward has taken the example of a family with fuel bills of £1,300 a year, and calculated what rate of interest it would need to be earning on its savings, tax-free, to outweigh the advantages of paying in advance for the next eight quarters.

The firm has taken into account the likely seasonal fluctuations in fuel bills – higher accounts can be expected in February and May than August and November.

The results show that the family would need to be earning 19.2 per cent *tax-free* on its savings for it not to be worth paying the second quarterly bill in advance. But by the eighth quarter, in February 1996, this has dropped to 8.8 per cent and the figure would continue to decline after that.

This is only an example, of course, and the equivalent figures in your case will vary, depending on such factors as your fuel consumption and timing of bills. But the general conclusion is that, altbough 1996 interest rates are an unknown factor, it is unlikely to be worth paying bills much more than two years in advance.

If you cannot afford to pay more than one year's bills in advance this month, you will have a second chance to make savings in March 1995, before the higher VAT rate comes into force. The difference between 8 and 17.5 per cent means that it should still be worth making advance payments at the lower rate – unless interest levels have shot up by then.

Meanwhile, there is good news for council tenants whose homes are in a district heating scheme where fuel is included as part of the rent and there are no separate meters. The government has decided it cannot apply VAT to such schemes as councils are VAT-exempt and it is not possible to work out the liabilities of individual tenants. So, members of such schemes will be able to avoid the tax without even trying.

TYPICAL SAVING ON AN ANNUAL £1,300 FUEL BILL

Assumed due date of fuel bill	Fuel bill (estimate)	VAT saved	Investment at 5.4% compound	Gain from prepayment
May 15 1994	455	12.13	(4.10)	8.03
August 15 1994	130	10.40	(2.92)	7.48
November 15 1994	260	20.80	(9.36)	11.44
February 15 1995	455	36.40	(22.52)	13.88
May 15 1995	455	50.80	(28.89)	21.91
August 15 1995	130	22.75	(10.10)	12.65
November 15 1995	260	45.50	(23.90)	21.60
February 15 1996	455	79.62	(48.30)	31.32
Total	2,600	278.40	(150.09)	128.31

Source: Stoy Hayward. Calculations of estimated net gain based on annual fuel bills of £1,300

Revenue ban casts doubt on annuity

Investors face problems, reports ***Gillian O'Connor***

One of last year's most innovative annuity products was taken off tbe market in a hurry this week because of an Inland Revenue ban. "Managed" or "flexible" annuities were designed with relatively affluent customers in mind and allowed them to do two things.

First, they could exercise considerably more control over the investmeots on which their pension depended, and oo the amount of income they drew each year. Second, if they wanted to buy a conventional annuity, providing a pre-determined annual income, they could do so at a time of their own choosing wben they thought they would get favourable terms.

The latter point is particularly pertinent. Falling interest rates have meant that many new pensioners taking out a conventional annuity are getting a considerably lower annual income than they would have a couple of years ago. The only company to have launched a managed annuity scheme is Equitable Life. But Provident Life had a similar annuity ready to go and several other life insurance companies planned to join the fray. It is not yet clear if the insurance industry will be able to adjust the scheme in a way that gets Revenue approval.

Equitable Life is determined to try. It stopped selling new flexible annuities this week but has written to the hundreds of people wbo have bought one. In tbe letter, it says it does not agree with the Revenue and will contest its decision. It will continue to pay out the annuity instalments due for the time being.

These customers obviously are going to have a fraught period ahead as they wait to discover if their contracts are valid. Other people with a problem to sort out in a hurry are those due to retire in the very near future and planning to take out a flexible annuity.

Everyone with a personal pension, and all members of company pension schemes based oo money purchase (rather than final salary), have to use most of the lump sum produced by their pension plan to buy an annuity promptly when they actually retire. So, even if the insurance companies and the Revenue do eventually compromise on a modified version of the flexible annuity scbeme, some would-be customers may be unable to wait.

So, what are the options for people needing to choose a retirement plan now? Until the fate of managed annuities is resolved, their basic choice lies between a conventional annuity and a phased annuity.

The standard conventional annuity involves a once-and-for-all swap of your lump sum for an agreed annual income for the rest of your life. Usually, this is fixed in money terms. Some degree of inflation-proofing might be built in, but only at the cost of a lower income to start with.

The level of income is fixed by reference to gilt yields at the time you buy the annuity, your sex, and how long you are likely to live. A variant on this prototype allows you to take on some stock market risk by linking the income to a stock market-based product such as a with-profits or unit-linked fund. But most people are suited better by annuities which provide a guaranteed income.

Phased annuities and schemes offering "staggered vesting" (even more complex and costly) work by dividing your pension fund into several discrete chunks and allowing you to cash these in for an annuity when you choose. This goes a long way towards dealing with the timing problem. But it is a realistic optioo only for people wealthy enough to be able to afford to wait, or those who can retire gradually from paid employment.

Other conditions, such as wbether and when you can take part of your pension in a tax-free cash sum, and what the benefits for partners are, also vary considerably. Pension planning is an area where specialist advice is probably essential.

Possible sources are The Annuity Bureau (071-620 4090); Annuity Direct (071-375 1175); and Lexis Pension Consultants (071-374 4448).

LATEST ANNUITY RATES

Compulsory purchase level annuity

Male age 55	Annuity	Female age 50	Annuity
Months movement +3.8%		Months movement +5.1%	
Royal Life	£9,180.85	Royal Life	£8,223.76
Sun Life of Canada	£9,064.21	Sun Life of Canada	£7,991.73
London & Manchest	£8,850.96	London & Manchester	£7,971.00
Male 60	Annuity	Female 60	Annuity
Months movement +1.9%		Months movement +4.2%	
Royal Life	£10,048.84	Royal Life	£9,248.57
Sun Life of Canada	£9,933.34	Sun Life of Canada	£8,962.50
RNPFN	£9,858.96	RNPFN	£8,877.84
Male age 70	Annuity	Female age 70	Annuity
Months movement +1.4%		Months movement +0.6%	
Royal Life1	£13,202.80	Royal Life	£11,532.82
RNPFN	£13,392.24	RNPFN	£11,461.32
Canada Life	£12,894.12	Canada Life	£11,060.76
Joint life – 100% spouse's benefit			
Male 60/Female 57	Annuity	Female 63/Male 65	Annuity
Months movement +4.7%		Months movement +4.2%	
Royal Life	£8,361.06	Royal Life	£8,994.78
Sun Life of Canada	£8,122.17	Sun Life of Canada	£8,718.01
London & Mancheste	£8,101.92	London & Manchester	£8,658.96

All payments are monthly in advance. Figures assume a purchase price of £100,000 and are shown gross. Rates as at March 18. RNPFN annuities are available only to those in the nursing and allied professions. Source: The Annuity Bureau Limited.

FINANCE AND THE FAMILY

The Independents

Name of financial adviser:	Shepherd Associates
Address of head office:	Upper Hill Street, Elmsted, Ashford, Kent TN25 5JT
Date firm was established:	September 1990
Regulator:	FIMBRA
Funds under management:	£10m
Number of clients:	75
Number of offices:	One
Minimum investment accepted:	Effectively £50,000
Services offered:	Comprehensive financial planning; individual pensions management
Fees:	£95 an hour


Tony Shepherd

Voice of reason

Shepherd Associates: 8th in a series on fee-based advisers

Few independent financial advisers have been more outspoken in their views on the commission system than Tony Shepherd, founder of Kent-based Shepherd Associates. Indeed, his criticisms became headline news four years ago. He marked his election as chairman of the Institute of Financial Planning with a speech that spelt out his vision of a fee-based financial planning profession that was independent of the oeed to sell anything except advice.

The tied agents in his audience walked out and the IFP lost balf its members. But many who are ectlve in lt today cite the speecb as a watersbed. lt was after this, they say, that the IFP began to put down roots as the recognised professiooal body for qualified financial planners.

Sbepherd has been in the financial servicee industry since he left tbe navy more than 20 years ago and, "in desperation," accepted a job from Abbey Life. "I was so naive l didn't even undarstand that they weren't going to pay me," he says.

A turbulent five years later, he had established his own insurance broking firm oo the Isle of Skye, and was already vocal about the need for the life assurance industry to adopt a system of level commissions to combat the problem of mis-selling.

In 1986, Sbepherd was approached by accountant Ernst & Whinney. A number of his clients were chartered accountants and E&W wanted to use Shepherd Associates as a fulcrum for a new financial planning department, under his control. For Shepherd, the offer was a turning point. "The big attraction was that I could get away from commissions overnight," he says.

But the move taught Shepberd that by no means all consumers of financial services shared his enthusiasm for a fee-based IFA business. He lost 90 per cent of his existing clients, and believes this was largely because of the change in business terms.

By the time Ernst & Whinney merged with Arthur Young in 1989, Shepherd had established a pensions consultancy and a multi-disciplined financial planning team. But the merger produced a clash of cultures and Shepherd decided to resurrect his own firm, this time basing himself in a village high on the Kentish downs. Ha was joined by Andrew Teasdale, a colleague from Ernst & Whinney who had developed an investment planning system that concentrated oo risk analysis.

"The primary thing is to get the asset allocation right," says Teasdale. "No client is exposed to short-term stock market risk. The most dangerous thing anyone can say is that equities are a long-term investment and that you will get your money back eventually."

Shepherd explains: "What our clients get is not portfolio management: it is a financial plan concentrating on investment, usually for people who need to live off their capital. And we apply exactly the same principles to pensions. Everything is driven by clients' objectives."

Clients appear to like the approach. "We haven't had to look for business," says Shepherd. "The problem has been coping with it. We specialise in retirement planning. It wasn't our intention; it just worked out that way. I don't say we wouldn't take on a 30-year old, hut the people we are interested in are people approaching and at retirement age. So, we are rather different among financial planners. We concentrate on pensions and investment. We look at clients' estate planning and their insurance needs, but our new business on life policies averages about one a mooth."

Shepherd sees all new clients. "I ask what their objectives are on retirement – for some reason, all solicitors tend to want to spend £20,000 on e camper van – and what assets they have to meet these objectives. Looking at that is the big exercise. It is usually four days' work on average, at a cost of around £2,000. But retirement is the major change we make in our life and it is worth doing properly."

Shepherd charges clients £95 an hour for time-based work (an estimate will be agreed in advance), while the annual management fee for asset management is percentage-based. There is no fee for initial consultations.

The core of any financial plan produced by the firm will be the investment dispositions. Shepherd says: "Andrew looks at the risk planning, the estate planning and making available money when it is needed. The same principle is involved with a 30-year-old looking for school fees."

Many clients will need to dip into capital. Teasdale says the firm's Plato portfolio planning system, whicb it has developed and which covers more than 2,500 funds, has a definition of risk "that concerns itself with the effect of inflation, stock markets, and on the ability of the clients' assets to support their needs over their lifetime." At present, 25 per cent of the UK exposure is in index-linked gilts.

Shepherd Associates does not touch execution-only work and the investment emphasis is on unit trusts and investment trusts, never on a direct exposure to equities. Turnover on portfolios is low. Shepherd says: "It costs money to move investments and that eats into performance. We have yet to be convinced that active management is effective."

Shepherd spent time polishing his French when he left Ernst & Young, and he foresees an expansion of his business among UK residents who have retired across the Channel. But he is sceptical about the henefits of runaway growth. "I am suspicious of any fee-based practice that is making money quickly," he says. "I think financial planning is a houtique business. And one lesson I have learnt is that it is done far better hy small firms than by big ones."

Joanna Slaughter

CGT: what to do about

*In this, the third of four articles on capital gains tax, **Richard Chant and Alan Sugden** deal with the rules for securities acquired before April 6 1982, and how capital changes in a company affect shareholders*

As well as the "new holding pool" for a company's shares acquired on or after April 6 1982, there is also a second pool, known as the "1982 holding pool," for those acquired between April 7 1965 and April 5 1982.

Shares acquired on or before April 6 1965 are kept separately unless the investor makes an election to inclnde any quoted shares acquired on or before that date in a 1982 holding.

This alection, called the "1965 election," must be made to your local inspector of taxes within two years of the end of the tax year in which the first disposal was made after April 5 1985. Once made, it cannot be withdrawn.

If you dispose of shares which you acquired before April 1 1982, their cost is taken at their market value at March 31 1982 and is indexed for the increase in the retail price index (RPI) between March 1982 and the date of disposal.

■ **Special rules**

There are special rules to ensure:

1. That the RPI adjustment is *calculated on the actual cost*, if this is to your advantage.

2. That the gain or loss since 1982 is not greater than the gain or loss over the whole period yon have owned the asset. (See Table 1 for examples of calculations under the special rules).

You can elect for these special rules not to apply; hut, if you do make this election, called the "1982 election," there is no need to calculate the gain or loss over the whole period of ownership.

The 1982 election should be made within two years of the end of the tax year in which the first relevant disposal of an asset acquired before April 1 1982 is made on, or after, April 6 1988. (1988/89 was the first tax year for which this election could be made). Once made, the election cannot be withdrawn. Normally, too, it will apply to all assets which yon owned on March 31 1982.

■ **Where to find March 31 1982 market values**

Helpful companies like Boots, BP, ICI and RTZ give the March 31 1982 market value of each class of share issued in their annual report and accounts. Usually, this can be found towards the back of the report under the heading "Information for Shareholders."

Where this information is not included, you can write to the company secretary – which might encourage it to inclnde the data in future years – or ask your stockhroker or tax inspector.

Make sure you get an up-to-date market value as it can change (eg, the March 31 1982 market value per share will be halved by a one-for-one scrip issue.

■ **Matching disposals with the acquisition of securities**

Matching applies where you are considering securities of the *same* class in the *same* company. Disposals are matched to the investor's holding in a company in the following sequence:

1. With shares acquired on the same day as the disposal.

2. With shares acquired within the previous nine days.

3. With shares in the new holding (the pool acquired from April 6 1982 onwards).

4. With shares in the 1982 holding (those acquired between April 7 1965 and April 51982; and qnoted ehares acquired on or before April 6 1965 if the 1965 election has been *made*).

5. With shares acquired on or before April 6 1965, if the 1965 election *has not* been made. The matching is done on a last in, first out basis.

■ **Indexation**

In the sequence above:

1 and 2. No indexation.

3. For shares in the new holding, indexation runs from the month in which they were acquired.

4 and 5. Indexation will be based on the market value of the shares at March 31 1982. Or, if you have not made the 1982 election, the special rules described above (and illustrated in Table 1) will apply to shares acquired on or before March 31 1982.

See Table 2 (on page VII) for an example of matching from the portfollo of an elderly widow who obviously believed in the slogan "You can be sure of Sbell." But tben, with a weak oil price early in the 1990s, she decided to dispose of her holding.

She spread the disposal over three tax years so that, together with her other transactions, her gain in each of those years did not exceed the annual CGT exemption.

■ **Capital changes**

In last week's article, Table 4 showed an example involving Stakis, the Scottish-based hotel group.

This included the treatment of a scrip issue, and a rights issue where the shareholder took up his entitlement.

To recap: Stakis's two-for-one scrip issue simply trebled the number of shares held and, of course, did not alter the overall cost of the holding.

In the rights issue, the shares taken up were simply

■ Continued page VII

TABLE 1. SPECIAL RULES FOR SHARES ACQUIRED BEFORE APRIL 1 1982

Where the investor has *not* made the 1982 election (for the special rules not to apply), the calculation of a chargeable gain or loss on the disposal of shares acquired before April 1 1982 has to be done twice, once with March 31 1982 market value and once with original cost:

Example A - Chargeable gain

	March 1982 value	Original cost
Net proceeds of sale - Nov 93	£29,000	£29,000
Less: Cost Apr 1972		(10,000)
Market value Mar 31 1982	(8,000)	
	21,000	19,000
Less indexation on higher of cost or Mar 31 82 value: £10,000 x 0.782	(7,820)	(7,820)
	13,180	11,180

Tha lower gain of £11,180 is chargeable.

Example B - Allowable loss

	March 1982 valua	Original cost
Net proceeds of sale - Nov 93	5,000	5,000
Less: Cost Apr 1972		(10,000)
Market value Mar 31 1982	(8,000)	
	(3,000)	(5,000)
Less indexation on higher of cost or Mar 31 82 value: £10,000 x 0.782	(7,820)	(7,820)
	(10,820)	(12,820)

The lower loss of £10,820 would be allowable.

Note: In his November 1993 Budget, the chancellor proposed to restrict indexation to prevent it creating or increasing a loss on disposals made on or after Nov 30 1993. Legislation on this is included in the Finance Bill now going through parliament. The effect on Example B, if disposal had taken place on or after November 30 1993, would be to restrict the loss to £3,000.

those pre-1982 shares

TABLE 2. MATCHING SALES TO PURCHASES

Since her husband died 30 years ago, an elderly widow has made the following purchases and sales in SHELL:

Month & Year	Shares	Transaction	Cost £	Proceeds £
Sep 1964	200	Bought	402	-
Apr 1970	300	Bought	1,429	-
Aug 1973	250	Bought	789	-
	750		2,620	
Jun 1979	750	1 for 1 scrip	-	-
Dec 1982	600	Bought	2,552	-
	2,100		5,172	
Dec 1988	4,200	2 for 1 scrip	-	-
	6,300		5,172	
Feb 1991	1,000	Sold	-	4,470
Jan 1992	2,000	Sold	-	9,314
Mar 1993	1,600	Sold	-	11,342
Dec 1993	1,700	Sold	-	9,529
	6,300			

Let us see how the purchases and sales are matched. The elderly lady did *not* make a 1965 election, so shares acquired on or before 6 April 1965 are kept separately.

Matching - No 1965 Election

Purchases		Sales: Feb 91	Jan 92	Mar 93	Dec 93
Dec 82 600 = 1,800 xc*		1,000	800	-	-
Aug 73 250 = 1,500 xc) Apr 70 300 = 1,800 xc)	3,300	-	1,200	1,600	500
Sep 64 200 = 1,200 xc		-	-	-	1,200

* xc = ex-capitalisation, i.e. after the scrip issue(s)

TABLE 3. RIGHTS ISSUE, SHARES NOT TAKEN UP

A company makes a 1 for 3 rights issue at 80p.
Before the rights issue an investor held 3,000 shares, which were standing at 102p each on the last day of dealings cum rights. He is, therefore, entitled to subscribe for 1,000 shares.
He decides to sell his rights "nil paid" – ie. before the date on which payment for new shares falls due. (In practice he has to sell two or three working days before the subscription date, to give the purchaser of his nil paid shares time to make the subscription payment: the "last day of dealings nil paid" is given in the rights issue circular to shareholders).
The investor sells his rights on the first day of dealing nil paid for 20p each, realising £196 net of selling expenses. The price of the old shares has eased to 99p ex-rights.

Is the sale deemed to be a disposal ?
Let the proceeds of the sale of his rights = A
and the value of his holding of old shares, ex-rights = B

$$\text{The proportion sold} = \frac{A}{B} = \frac{£196}{£2{,}970} = 6.60\%$$

So, as this is greater than 5%, the sale is deemed to be a disposal.

Calculating the capital gain
The cost of the original holding, indexed to the month in which the nil paid shares were sold, was £2,200.

$$\text{The calculation is } \frac{A}{A+B} = \frac{£196}{£196 + £2{,}970} = 6.19\%$$

A = 6.19% of £2,200 = £136 Capital gain = £196 - £136 = £60
The indexed cost of the residual holding, 3,000 shares *xr*, is
B = 93.81% of £2,200 = £2,064.

TABLE 4. DEMERGER OF ZENECA FROM ICI

For CGT indexation purposes, the new shareholding (Zeneca) is treated as having been acquired at the same time as the original holding (ICI).

For cost apportionment, the A/(A + B) formula is used to determine the proportion of the cost of the original holding of ICI which is attributed to the new holding in Zeneca.
A = First Market Value of new shareholding
B = First Market Value of old shareholding
where First Market Value on the first day on which ICI and Zeneca were dealt in separately is the *lower* of:

1. the bid price of the security plus one quarter of the spread (the difference between the bid price and the offer price). Known colloquially as "Quarter up".
2. the figure half way between the highest and the lowest prices of bargains recorded that day in the Stock Exchange's Daily Official List.

These prices were ICI 631.75p; Zeneca 625.75p

$$\text{So cost apportioned to Zeneca} = \frac{625.75p}{625.75p + 631.75p} = 49.78\%$$

■ From page VI

treated as a purchase of additional shares because all the shares had been acquired on or after April 6 1982.

Where some of the holding was acquired before that date, the treatment is slightly more complicated.

■ Rights issue on shares acquired before April 6 1982
Where a rights issue made after April 5 1982 concerns a holding, part or all of which was acquired *before* April 61,982, any shares received in respect of the 1982 holding are treated as an increase in that holding.

Similarly, if the 1965 election (to include shares acquired on or before 6 April 1965 in the 1982 holding) was *not* made, any shares received in respect of shares acquired on or before April 6 1965 are treated as an increase in those earlier holdings.

■ Rights issue - shares not taken np
Sharcholders who do not want to take up their entitlement in a rights issue can do one of two things. These are:

1. Sell the new shares "nil paid," renouncing their entitlement to them by completing the relevant section on the back of the provisional allotment letter (PAL, in back office jargon).

2. Let their entitlement lapse. In this case, the issuing house will sell all the shares of the entitlements that have lapsed "for the benefit of entitled shareholders" – providing they can be sold at a premium.

The shares are sold fully paid and the net proceeds (the premium obtained over the subscription price, net of selling costs) are distributed to the entitled shareholders pro rata.

Whichever the shareholder does, the treatment for CGT purposes is the same; it depends on whether the proceeds of the sale of the shareholder's rights are 5 per cent or less of the value of the underlying shareholding (the shares originally held), or more than 5 per cent

If the former, the proceeds of the sale are deducted from the cost of the underlying holding, indexed to the month of sale. If the latter, the sale is deemed to be a disposal and a taxable gain arises from it.

Table 3 shows how the gain and the value of the underlying shareholding is calculated when the proceeds of the sale of rights exceeds 5 per cent of the value of the underlying holding ex-rights.

■ Takeovers and mergers
The shareholder of the acquired company can either accept new shares in the acquiring company in exchange for his holding in the acquired company (accepting "paper," in City jargon), or can accept the cash alternative if one is offered.

If new shares are accepted, the cost of them is taken as the cost of the investor's holding in the acquired company. If the cash alternative is accepted, it is deemed to be a disposal, and normal rules apply.

■ Demergers
Where a company hives off a subsidiary (eg. BAT hiving off Argos and then Wiggins Teape, or the demerger of Zeneca from ICI), the cost of a holding in the original company is apportioned between the resulting holdings. Table 4 illustrates the case of a shareholder in ICI when it demerged Zeneca.

■ Scrip dividends
If you elect to receive a scrip rather than a cash dividend, the deemed cost of the shares received is the cash dividend yon have foregone (ie, the dividend *before* the addition of the tax credit).

Indexation on the deemed cost of the shares received will run from the month in which the dividend is paid.

■ Enhanced scrip dividends
These are a recent innovation, designed for companies with a surplus of advance corporation tax (ACT) – that is, those paying more ACT than they can offset against their UK corporation tax liability.

These are, typically, companies with a high proportion of their profits earned and taxed overseas, such as RTZ. But they may also include companies paying uncovered dividends in difficult times, such as Ladbroke.

ACT is paid on all cash dividends but does not have to be paid on scrip dividends. Thus, some companies with an ACT problem have been offering shareholders the choice between a normal cash dividend and an enhanced scrip dividend (usually around 50 per cent higher).

For CGT purposes, the cost of an enhanced scrip dividend is taken as the market value on the first day of dealing, and is indexed from the month in which the cash dividend is paid.

Next week . . .

The last article of this series deals with how to minimise your CGT liability, including bed and breakfast; transfers between husband and wife; taking advantage of separate annoal CGT exemptions and your partner's lower marginal rate of tax; how to transfer securities between husband and wife; and gifts and transfers between "connected" persons.

Readers' questions: Answers to the most popular general questions arising from the series will be published after the final article has appeared. Please mark your envelope "CGT series question." We cannot provide detailed advice about your own CGT returns.

The authors: Richard Chant is a tax partner in the Bristol firm of chartered accountants Solomon Hare. Alan Sugden is the co-author of Interpreting Company Reports & Accounts; Woodhead-Faulkner, 4th (Revised) edition, p/b £19.95.

Stags find it tough

Financial adviser Johnson Fry has put lots of noses out of joint with its French privatisation service, *writes Gillian O'Connor*. The original scheme was to operate a rolling stagging fund: clients would pot in £1,000, which would be used to apply for shares in one privatisation. These shares would then be sold as soon as dealings started and the money would go into the next privatisation offer – and so on.

The first problem was that the French Treasury took umbrage at the idea of a stagging fund, particularly one where the beneficiaries were perfidious Englishmen. A few eyebrows were raised before the offer of shares in Elf Aquitaioe, the oil company, the first privatisation in which Johnson Fry tried to participate.

Johnson Fry ignored the eyebrows and bought its clients some Elf shares. But rival Killik & Co., a stockbroker which had been running both a French privatisation share-dealing service and a stagging service for some time, got caught up in the slipstream and was not able to get its clients into Elf.

Johnson Fry then decided it might be prudent to play down the emphasis on stagging. So, it offered clients the choice of holding on to their Elf shares and topping up the rolling stagging fund, or sticking with the formula for which they had signed up. Result: some thoroughly confused clieots.

FINANCE AND THE FAMILY

Beating the risks

***Debbie Harrison** looks at Norwich Union's record*

When Thomas Bignold undertook the perilous journey from Kent to Norwich in 1783, no insurance company was prepared to cover him against highway robbers. His indignation led him to found the Norwich Union Association, initially for fire and theft insurance. Later, in 1808, Bignold launched the society's life and pensions business.

Today, Norwich Union is the UK's third-largest insurance group and one of the leading providers of personal pensions. Its financial strength is rated as "adequate" by Standard & Poor's, the US credit rating agency, although the society has improved its position since this analysis was made.

Norwich Union's solvency margin stands at over £3.4bn, more than three times the level required by the Department of Trade and Industry, while its free asset ratio – broadly, the ratio between surplus assets and total assets – doubled from 5.95 per cent in 1991 to 10.5 per cent at the end of 1993.

The society holds a strong position in the pensions market, where it offers a range of individual plans and group schemes. In a recent survey of personal pensions by *Money Management**, Norwich Union was one of only four providers to qualify as a "best buy" for single premium investments, based on above-average performance and below-average charges.

While the society's charges are lower than average for most contracts and investment periods, there is still a front-end loading. This means there is a 40 per cent reduction on each premium paid during the "initial" period – which can last up to two years on longer-term contracts.

These charges cover the society's own costs and payments of commission to the adviser or salesman. Other charges on the unit-linked personal pension plans include the bid/offer spread (the difference in cost between buying and selling units) of 5 per cent; an annual management charge of 0.875 per cent; and a £3 monthly policy fee.

Norwich Union shows greater consistency than many competitors on overall performance. According to *Money Management*, 70 per cent of the society's results on all funds were above average, with only 10 per cent in the fourth quartile (bottom 25 per cent).

INSURANCE *for* LIFE

The managed unit-linked fund, which invests in the society's range of unit-linked funds, has performed well over the past five years although, for the year to the end of February, returns dropped rather suddenly to the fourth quartile.

Philip Scott, Norwich Union's general manager (UK Life), explains: "The managed fund slipped in the competitor rankings as a result of the less aggressive policy followed in the underlying funds, principally the UK equity fund. This was modestly underweight in the smaller companies' and mid-250 companies' index stocks at the beginning of the year when they experienced strong performance.

"In common with many other funds, the equity fund was underweight in the UK-quoted Hong Kong and Shanghai bank, which performed exceptionally well in the final quarter of 1993."

Several other funds, including international and North American, performed well during the late 1980s and early 1990s, but performance has tailed off since 1992. The international fund, retains an above-average ranking over five years but the North American fund is well below average for this period, particularly on the regular premium contract.

Scott says: "The North American fund performance was adversely impacted in 1993 by the holdings in branded stocks in a year when brand names took something of abattering." This underperformance also affected the international fund.

Elsewhere, Norwich Union's money fund has an excellent short and long term track record, while its with-profits contract is a top performer over all investment periods except five years, where it is slightly below average due to recent cuts in the annual bonus rates. Traditionally, about 90 per cent of the society's individual pensions business has been on the with-profits side but, recently, the split between with-profits and unit-linked has been more even.

Transfers of company pension benefits into personal pension plans account for 40,000 out of the society's total sales of more than 500,000 personal pensions. In 1992, Norwich Union – along with two other major providers, Scottish Widows and Standard Life – decided to suspend transfer business from tied agents and direct sales.

Scott explains: "Since July 1992, we have had a team looking at every transfer proposal submitted by our direct sales force or appointed representative channel. The proposal proceeds only when it is clear that good advice has been given."

* *Money Management March 1994, Survey of Personal Pensions; FT Magazines, Greystoke Place, Fetter Lane, London EC4A 1ND.*

FACT FILE 7

Name: Norwich Union
Status: Mutual
Founded: 1808
Market position: Third largest insurance group in the UK by funds under management
Financial strength: Standard & Poor's assessment is "adequate"
Funds under management: £27bn UK, £32bn worldwide (at 31/12/93)
Premium income: £1.9bn in 1993 (UK life and pensions)
Number of personal pension plan clients: 504,000
Sales outlets: Existing business 87 per cent independent advisers, 13 per cent appointed reps and direct sales; new business 63 per cent and 37 per cent respectively
Commission paid: Not disclosed
Nil commission terms available? Yes, through any adviser or salesman. Actual terms are standard and not negotiable
Recurring single premium? Yes
Expense ratio (net expenses plus commissions paid divided by net premiums received): 19.4 per cent in 1991, 24.6 per cent** in 1992, 18.2 per cent in 1993 (industry average last calculated in 1991 at 19.3 per cent)
Reduction in yield* (equivalent annual percent charge over the life of the contract): 1.5 per cent on 25 year unit-linked personal pension (industry average 1.6 per cent). Below average on most contracts and terms
Penalties on early retirement or termination: No actual exit charge but 40 per cent of premiums paid for first two years on long-term regular premium contracts is deducted in charges
Performance*: Managed unit-linked excellent over 5 years, slightly below average over 10; UK equity, excellent over 5 years, above average over 10; International, good but decline since 1991; deposit and fixed interest, long-term below average but short-term excellent; with-profits excellent for all terms except five years which is average
Source: FT Personal Pensions 1994 handbook, Pensions Management, Money Management (March 1994 survey)
***Increase in 1991/2 largely due to significant drop in total single premium business following decision to come out of with-profits bond market to balance the society's mix between single and regular premium business.*
Charges: At present life office

Thomas Bignold, founder of Norwich Union

Illustrations of what your investment may produce, use a standard basis for charges set by Lautro (the Life Assurance and Unit Trust Regulatory Organisation). To reveal the impact of real charges on the final fund of Norwich Union's managed unit-linked plan, we asked for illustrations using actual charges for a man age 45 who expects to retire at age 65 (ie, a 20-year contract), paying (a) £200 per month and (b) a stand alone single premium of £10,000. Illustrations using Lautro standard charges, which in fact are lower than those used by most life offices, are shown in brackets. The last illustration gives a theoretical value if no charges were deducted.

	6% grth	12% grth
Full commission paid		
Monthly premium £200	£75,220 (£80,900)	£145,972 (£158,000)
Single premium £10,000	£25,813 (£28,200)	£78,336 (£85,200)
Nil-commission		
Monthly premium £200	£80,225 (£80,900)	£160,383 (£158,000)
Single premium £10,000	£26,846 (£28,200)	£81,469 (£85,200)
Theoretical no charges		
Monthly premium £200	£91,129	£183,971
Single premium £10,000	£32,071	£96,463

Where basic commission is paid, NU's charges are significantly higher than the Lautro basis, yielding a lower projected return. When the commission cost is stripped out, the reverse is true on the monthly premium plan at the higher growth rate but not for the other terms and contracts. The first set of figures assume only the Lautro basic rate of commission, whereas actual rates are likely to be in line with the industry average, which is 30 per cent higher.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

The Queen and tax

I seem to recollect that when the Queen agreed voluntarily to pay capital gains tax on her investments, the base values were to be calculated from April 6 1993. Is this correct and, if so, why was a different date chosen from that which applies to her subjects: viz, March 31 1982, plus indexation.

■ April 6 1993 is simply the date from which the voluntary income tax and CGT payments are to be made under the Queen's offer.

No IHT on this gift

I am aged 79 and have about £10,000 of my £28,000 after-tax income unspent each year. Can I give this surplus to my daughter without an inheritance tax liability? If the answer is yes, do I have to ask or inform the tax inspector?

■ If you wish to give the £10,000 annual excess to your daughter, we suggest you document clearly, by letter or deed, your intention to make a regular annual gift. You might also wish to set it up by way of a standing order to your daughter so that it is clear the payment is to be made regularly. In any case, it would appear that no IHT would be payable as the gift would be paid out of net income and does not affect adversely your usual standard of living. *(Reply by Barry Stillerman of accountant Stoy Hayward).*

When relief is lost

I have recently received a tax refund on account of my losses with Lloyd's of London. In addition to losing my personal allowance for the relevant years, I have also lost the business expansion scheme tax benefits on the ground that the BES is an allowance and not a relief.

Is this right? And is there any way of recovering the allowance?

■ Your BES relief is lost irretrievably, unfortunately.

It is a pity that you did not (apparently) read the free Inland Revenue pamphlet on the BES, IR51, before deciding to make the investment.

Directors' transactions

The Royal Bank of Scotland has featured before in this column when Peter Wood, who founded the Direct Line motor and household insurance subsidiary, bought almost 2m shares in December 1993. The share price was around 400p then and rose to a peak of 528p before coming back to the present 430p. Wood has been buying again. His most recent purchase of 562,000 shares brings his total holding to more than 3m.

☐ Directors of Rodime were last noted when three of them sold almost 2m shares at 44.75p. The outcome of several negotiations pending at that time are still anticipated. Nevertheless, director selling has continued. The same three directors, including chairman Malcolm McIver and managing director Peter Bailey, have sold more stock at the lower price of 30.75p. Each director still retains a sizeable holding.

☐ PizzaExpress announced much-improved final results in September 1993. MD David Page then sold 380,000 shares at 102p to meet obligations following the sale of G&F Holdings to PizzaExpress. The most recent sales fall just before the beginning of the closed period and were carried out by three directors, including finance supremo Glen Tomlinson, at 132p a share.

Colin Rogers, The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bolton Group	Prop	1,515,150	500	2
Candover Investmnts	InvT	40,000	132	1
Castings	Eng	8,000	20	1*
Chemring Group	Eng	7,400	25	1
Cook (William)	Eng	20,000	60	2*
De Morgan	Prop	67,000	10	1
Hanson	Divl	46,666	126	1*
Kleinwort Benson	Mbnk	7,000	38	1
M & W	RetF	112,500	182	1*
McAlpine	BCon	40,000	126	1
Neepsend	Eng	127,269	53	2
PizzaExpress	L&Ht	25,000	33	3
Rank Organisation	L&Ht	54,289	583	2*
Rodime	OS&B	1,927,076	593	3
Serco	SSer	25,000	369	1
Shell Trans & Trad	Oil	76,500	534	1*
Tomkinsons	HseG	3,500	11	1*
PURCHASES				
Abbey National	Bnks	10,000	48	1
Aberforth Smlr Cos	InvT	6,583	13	1
Abtrust New Dawn C	InvT	7,500	19	1
Brent Intnl	Chem	14,500	15	2
Cantab Pharmacis	Phrm	22,500	100	1
Close Brothers	Mbnk	4,000	22	2
Dundee & London	InvT	4,000	13	1
Hillsdown Holdings	FdMa	90,000	144	5
MMT Computing	SSer	16,245	27	1
Peel Holdings	Prop	20,000	72	1
Rank Organisation	L&Ht	2,000	22	1
Royal Bk of Scot	Bnks	562,000	2,449	1
TI Group	Eng	3,000	13	2

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange March 7-11 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Teachers BS	Bullion Share	0800 378669	Instant	£500	6.00%	½Yly
Leeds & Holbeck BS	Albion	0532 436282	Postal	£10,000	6.45%	Yly
				£25,000	6.60%	Yly
Norwich & Peterborough	Postmaster	0733 391497	Postal	£50,000	7.00%	Yly
NOTICE A/cs and BONDS						
Greenwich BS	Capital Shares	081 858 8212	30 Day	£10,000	6.60%	Yly
Britannia BS	Index Linked	0538 391748	90 Day	£1,000	7.00%	Qly
B&W Asset	90 Day	0800 303330	90 Day P	£25,000	7.15%	Yly
Chelsea BS	Base Rate Plus111	0800 272505	1.3.96	£10,000	7.50%C	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£5,000	5.80%	Mly
B&W Asset	Monthly Income	0800 303330	90 Day P	£10,000	6.64%	Mly
Chelsea BS	Base Rate Plus111	0800 272505	1.3.96	£10,000	7.25%	Mly
N&P BS	Fixed Rate Bond	0800 808080	30.9.99	£500	7.10%F	Mly
TESSAs (Tax Free)						
Hinckley & Rugby BS		0455 251234	5 Year	£3,000	7.60%	Yly
Ipswich BS		0473 211021	5 Year	£100	7.40%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.30%	Yly
TSB		local branch	5 Year	£250	7.25%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
UDT	Capital Plus	061 447 2438	Instant	£1,000	4.75%	Qly
Chelsea BS	*Classic Postal*	*0800 717515*	Instant	£2,500	6.00%	Yly
				£25,000	6.25%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Britannia InternationalLtd	Index Linked	0624 628512	90 Day	1,000	7.00%	Qly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£10,000	6.30%	½Yly
Derbyshire (IOM) Ltd	90 Day	0624 663432	90 Day	£50,000	7.60%	Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Consolidated Life FN		081 940 8343	2 Year	£2,000	4.75%	Yly
General Portfolio FN		0279 462839	3 Year	£20,000	5.10%	Yly
General Portfolio FN		0279 462839	4 Year	£50,000	5.70%	Yly
London & Manchester FN		0392 282306	5 Year	£2,000	5.80%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%	Yly
	Income Bonds		3 Month	£2,000	6.50%	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%F	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = 7 days loss of interest on all withdrawals. C = Rate guaranteed to be 2.25 per cent above *base rate until 1.9.94 (min 7.50 per cent) and then 1 per cent above until maturity.*
Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

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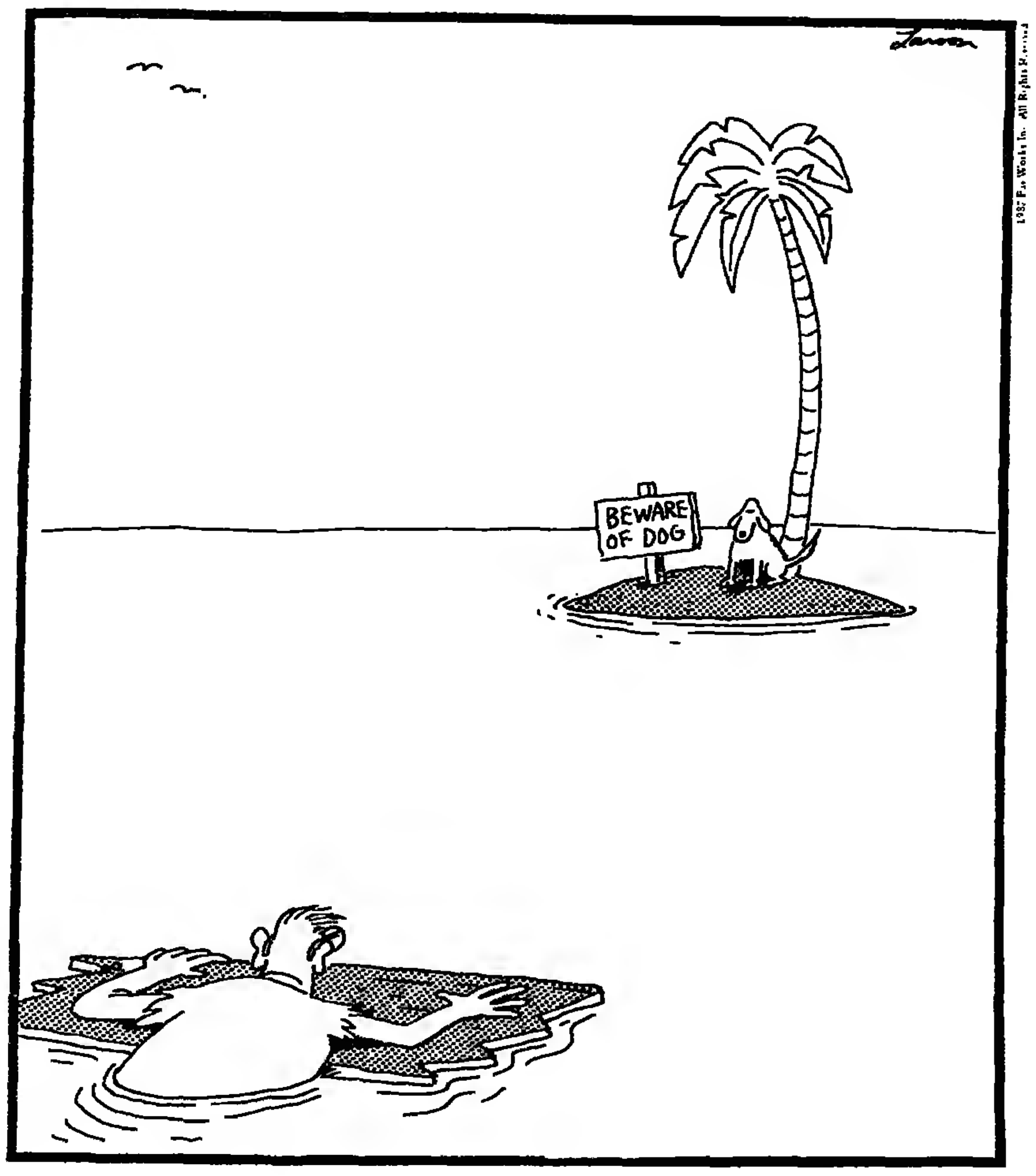
Post your completed application form and cheque to National Savings, Freepost DU51, (Department X) Durham DH99 1BT.

If, before applying, you would like an information leaflet and a prospectus, pick them up at your post office where you can also buy your Certificates. Or call us free on 0500 500 000, 24 hours a day, 7 days a week.

This advertisement is a simplified guide to the terms and conditions for the sale of 7th Index-linked Issue Savings Certificates. The prospectus contains the full terms. If you buy by post, when we receive your completed application form and cheque, we will send you a copy of the prospectus. Once we have accepted your application we will send you your Certificate normally within a month. The purchase date will be the date we receive your application.

If, however, on receipt of the prospectus you wish to cancel your purchase, tell us in writing within 28 days and we will refund your money. Your application can only be accepted if the Issue you ask for is on sale when we receive it. Each year the value of your Certificate is guaranteed to move in line with the rate of inflation as measured by the Retail Prices Index plus Extra Interest as set out in the prospectus. Lower rates of return are earned on Certificates repaid in less than five years; no index-linking or Extra Interest is earned on a Certificate if repaid in the first year. Any Issue of Savings Certificates can be withdrawn from sale without notice.



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For National Savings use only

If you prefer, use a first class stamp for rapid delivery.

1 I apply to buy 7th Index-linked Issue Certificates to the value of £ ______ (Amount of cheque)

2 Do you already hold National Savings Certificates? (Please tick) Yes ☐ No ☐

If you do, please quote your Holder's Number ☐☐☐☐☐☐☐☐☐

3 M______(Mr Mrs Miss Ms) Surname______

All forenames______

Permanent address______

Postcode ______ Date of birth (essential for under 7's) Day ___ Month ___ Year 19__

4 I understand the purchase will be subject to the terms of the Prospectus

Signature______

Date______

Daytime telephone number______
(useful if there is a query)

For National Savings use only

This form cannot be used to purchase Certificates at a post office or bank.

NATIONAL SAVINGS

SECURITY HAS NEVER BEEN SO INTERESTING.

MINDING YOUR OWN BUSINESS

Mummy's boy to businessman

David Spark on the 25-year-old boss of a leather company with 18 employees

People called him boring, a workaholic, a mummy's boy. But they have grown to respect him. For at the age of 25 Ranu Miah is employing 18 people in a successful London business.

His company makes leather coats, jackets, trousers and skirts for 10 shops in London, south-east England, Ireland and Manchester. The shops pay on delivery because they know they can quickly sell what he supplies.

"A lot of businesses go down because they give a lot of credit. And I don't want to be a finance company," he says.

Ranu is successful in a trade which for most of the Bangladeshi leather workers around Brick Lane in East London, has offered only a poor living – making jackets as rapidly as possible for wholesalers out of leather which the wholesalers provide.

Today, many have lost even this living, because wholesalers buy garments from Pakistan or India.

Ranu's success, however, is based on a thorough knowledge of leather manufacture and sharp fashion sense. "Because I am young," he says, "I know what will sell. I read the fashion magazines. On Mondays I get feedback from the shops.

"Other people are now doing the styles we had two years ago. Wheo they copy something, we get rid of it."

Ranu was born in Bangladesh, where leatherwork is oot regarded as a good job. But Bangladeshis settling in East London found work with Jewish leather businesses.

He was brought to Britain in 1979 by his father, the first Bangladeshi to run a restaurant in Brick Lane. The restaurant became a haven for new Bangladeshi arrivals: "He was like the Salvation Army," says Ranu.

"My father wanted me to study," Ranu recalls, "and I got a job in a bank. I didn't find it very pleasant. My supervisor said I dido't do the work right. I knew she had more power than I had, so I left."

He had been out of work six months when a relative offered to teach him the leather trade. He learned quickly and started working for another leather business as well. To widen his experience he began working for a company called Gap.

Then, aged 19, he used savings to take a room and start his own business, R & S Fashions. His sewing machines came from a partner in a firm that was splitting up, and a oovel method of payment was agreed: "I knew he was looking for a job, so I said: 'I will give you a job in our place and we will slowly pay you what we owe.'"

Ranu's old boss at Gap promised to provide him with business, but first be needed an alarm to protect the leather supplies. With advice from the East Londoo Small Business Centre, he received a Home Office grant for £750, three-quarters of the cost.

The centre also made him a £3,000 loan. A local bank, however, would not let him open an account, even after the accountant bandling his VAT recommended him. "Finally the manager heard me shouting and gave me an account."

The deal with Gap did not last long. "Their quality was high and we couldn't manage it," says Ranu.

For the first 18 months, Ranu did not pay himself any wages. "My parents couldn't give me any money for the business but they looked after me."

He found work with other wholesalers but decided it would be better if he handled his own wholesaling. Armed with a reference from a customer, be reached an agreement to buy leather from an Irish merchant.

Then he visited the manager of a shop selling clothes provided by a wholesaler who had made them. He told the manager: "I can supply you at a better price but I can't give you credit."

He realised that quality of service gave him an advantage: Rann could meet almost any requeet from customers. A rival wholesaler could have 100 customers, but might not be able to prnvide the required the sizes and colours instantly.

Ranu spant the slack part of the year recruiting customers.

There followed two significant steps: he hired larger premises, with an office, from a Bangladeshi millionaire: "Customers like to talk to you and have a cup of tea," he says.

And he switched his bank account to a branch in Liverpool Street. His old branch "didn't like the leather business. They thought we were going to go bust. Thay wouldn't give me an overdraft."

The Liverpool Street branch understood the problems caused if the cheques he wrote to pay for leather supplies were cleared more quickly than those he received from shops. He buys leather on 30-day credit and saves money by paying early.

In the year to last August he recorded turnover of £113,000 with a profit of £10,000. In the current year he reached £113,000 turnover in four months.

Young Bangladeshis, he says, are no longer going into the leatber trada but into higher education. "They no longer just want money. My younger brother who is 20 isn't talking of working. He's talking of studying. But this is my hobby as well as my work."

■ *R & S Fashions, Unit 3, 7 Chicksond Street, London E1 5LD (tel: 071-375-0063).*

Tony Andrews

Ranu Miah: 'I know what will sell. I read the fashion magazines and on Mondays I get feedback from the shops'

Care in a coffee cup

Cafédirect pays twice the rate for its supplies – and still makes profits

Campaigning on third world issues has not traditionally interested the retail giants.

Which makes it surprising that a small Edinburgh-based company with no full-time employees has persuaded six supermarket chains to stock a brand of coffee from which the proceeds go to improving the lot of Latin American hill farmers.

Cafédirect was formed as a profit-making venture by Oxfam Trading, Equal Exchange, Traidcraft and Twin Trading, all of which use trade rather than aid to stimulate economic growth in developing countries, and are oon-profit-making.

Their strategy was to buy coffee direct from Latin American hill farmers, at a price that would give the farmers a more secure economic footing than in the past. Pauline Tiffen, a journalist who has become Cafédirect's Latin American liaison officer, explained: "We wanted to pay a price that would do more than just cover their costs.

"The aim was that tbay should be paid enough to introduce mechanisation, to cover any unforeseen contingencies, like frost, and to have a little bit of profit left over at the end."

The going rate for the raw crop has been depressed since the collapse of the International Coffee Agreement in 1969, which caused a glut of cheap coffee. Cafédirect decided to pay roughly twice the going rate.

But in spite of this, Cafédirect charges £1.55 for an 8oz pack of ground coffee, only slightly more than the average supermarket price.

The company is reticent about how it manages it, refusing to reveal the extent of its initial capitalisation or volume of sales.

However, it will confirm that it does not employ anyone. Its four board directors have full-time jobs with the founding organisations, while all other Cafédirect workers operate on a consoltancy basis, charging an bourly rate.

Thus Lorna Young, Cafédirect's marketing director, works abont three days a week for Eqnal Exchange, her employer, and two days a week for Cafédirect. She sits at the same desk in the same Edinburgh office all week, bnt sbe logs the hours spent on Cafédirect work, and submits an invoice accordingly.

It was Young, a former publishing executive, who first began knocking on supermarket doors in 1992. Within six months she had persnaded Waitrose to stock Cafédirect nationwide. Safeway followed last spring, and Gateway (in 200 stores), Tesco (120), Asda (70) and Sainsbury's (60) have followed since.

"I think we've surprised a lot of people by how well we've done in how sbort a time," says Ynung. "I koow our rivals would be very interested to know huw much we're selling, and although I'm not prepared to put a figure on it, I can say that orders have tripled in the last 18 months."

The number of suppliers has also increased. Tiffen eotimates that by the middle of this year, farmers growing coffee for Cafédirect will total 214,000, from 13,000 in 1992. All of them ore based in Costa Rica, Mexico or Peru, most are part of some form of collective organisation, and all have to move the coffee to a port for shipment to the UK.

Cafédirect has only a small share nf the UK ground coffee market, which in turo accounts for only 10 per cent of the total UK coffee market (instant coffec has 90 per cent).

And its advertising makes much of the fact thot the collectives they buy from frequently put profits to communal use, building schools and hospitals, employing teachers and doctors.

The advertisements also claim that farmers paid only the going rate for their coffec are frequently forced to abandon their land and move to the city – or move into a more sinister branch of agriculture.

"Coca grows like a weed and is altogether much less hard work than growing coffee," says Tiffen, who has seen drug cartels exert pressure durlog her visits to Cafédirect growers in remote mountalo and jungle regions.

The implication of tbese claims is tbat Cafédirect's rivals are exploiting the farmers, a suggestion strongly resisted by Allan Allbeury, spokesman for food group Nestlé, which makes Nescafé.

"We are as keen as onyone to ensure the wall-being of our primary prodncers," be says. "Bnt because we need to buy in soch volume, we have oo option bnt to buy on the open world market.

"We feel that the best interests of the largest number of farmers will be best served not by localised agreements, but by a price rise on the open market."

Lorna Young agrees: "We would be delighted if the price of world coffee were to go np to a fair level. Although we are a profit-making company, and we are definitely a trading organisatioo ratber than a campaigning organisation, I think we would all be very pleased if world coffee prices went up and we went not of business because there was nn longer any need for us."

Christopher Middleton

Beware the bear

Continued from Page 1

national interests, but as some kind of mental basket case that we have to massage, that we have to be very careful to manoeuvre step by step into some vague relationship of "friendship" with the west.

"Russia is acting in the traditional Russian manner, which has always had the element of dominating the erstwhile republics of the former Soviet Union. From that point of view, it is imperialist."

The cause around which those who oppose the policy of the west have gathered is that of tbe expansion of Nato. Under tbe "Partnership for Peace" proposal put forward by President Bill Clinton in Brussels in January, all the former Communist states would be eligible to participate in the Partnership at whatever level suited them. For the Poles, the Balts, the Czechs and the Hungarians, it was a slap in the face – a clear indication that the west favoured Russian interests over theirs.

They have powerful allies in the west, among them Mr Brzezinski. In Washington, be said: "I think tbat if we were to expand Nato eastwards and Nato were to offer Russia a treaty of alliance; if we were to balance aid to Russia with more aid for the non-Russian states, we might aucceed in creating a geo-political context that would be relatively stable and would mitigate some of tha dangers (of Russian expansionism). This would help the Russian democrats by bringing the west closer to Russia; if we don't do it now, when would we do it? Is a political vaccuum in the heart of Europe in the interests of Russia?"

This potentially damaging attack has drawn blood, and a response. On Monday, the US Defence Secretary William Perry took on Kissinger, Brzezinski and others when he said the current policy included views of Russia both as a rival and a partner. This was "lost oo our critics of constructive engagement. They say we have chosen to make Russia a partner when we should be making them a rival. And I say that is a false dichotomy."

The debate can only be inconclusive: for it depends on factors which are unknowable. Migranyan, the presidential advisor, believes Russia is "in nn sense a democracy: it is passing through a time of authoritarianism from which it might emerge into a democracy". Professor Peter Reddaway of the US Institute for Peace, one of the most consistently pessimistic of the prominent commentators on Russia, points to the criminalisation of the economy and warns of a turning away from reform.

It is certain that we are facing u country which will remain an enigma – if no longer enclosed in a dogma. It is undergoing a loss of empire of the kind Britain and France sustained in the 20th century, with an adoption of democracy which took most of the western states centuries to achieve, plus an opeoing to markets for which the culture was wholly unprepared. It should not be forgotten how intense this process is.

■ *BBC Radio 4 will broadcast two programmes by John Lloyd: "Russia: the Beor Awokes" tomorrow (Sunday) at 4.15pm; nnd "Russio, the Beor Contained?" on Thursday at 8pm (repeated next Sunday, 4.15pm)*

LEGAL NOTICE

No. 001525 of 1994

In the High Court of Justice
Chancery Division
IN THE MATTER OF
3I HOLDINGS PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a petition was on the 7th March 1994 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above named company from £150,000,000 to £50,000,000. AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr. Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday 30th March 1994. ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by counsel for that purpose. A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 17th day of March 1994.
Slaughter and May, (RLH)
35 Basinghall Street
London EC2V 5DB
Tel: 071 600 1200

TRAVEL

An image of rural England set in stone

*From the south coast to Bath, **James Henderson** traces the English stone belt, enjoying distinctive landscapes at close quarters*

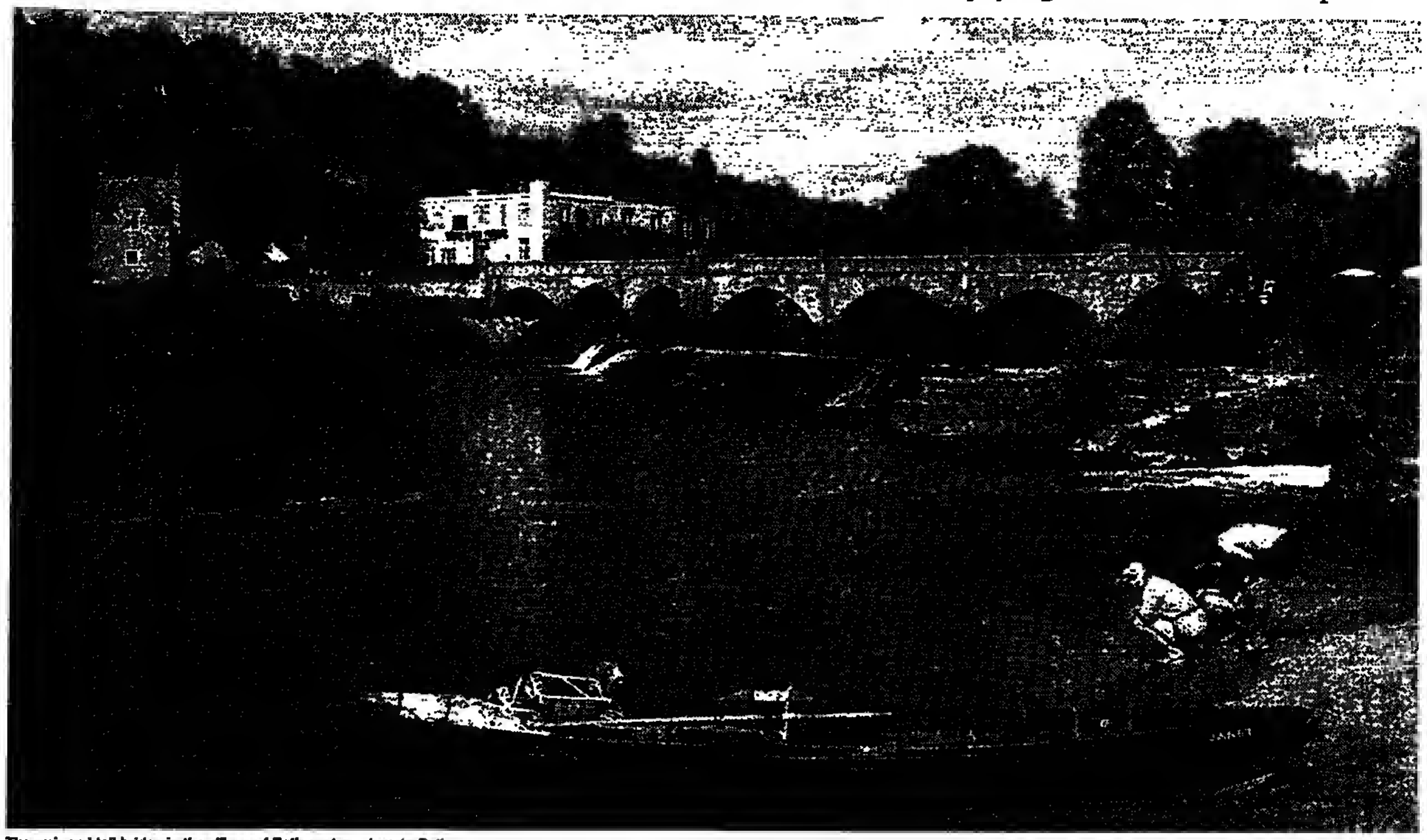
The English stone belt – the seam of limestone that is the source of England's finest building stone – runs from Dorset on the south coast to Bath and then up through the middle of England to Lincoln and on to Humberside. It cuts a green and rural swathe between the brick-built industrial areas on the coasts. On the downs and wolds of the stone belt you will find some of England's prettiest villages.

The limestones were laid by sedimentation millions of years ago, by the rivers of s long-disspeared Jurassic continent. Minerals and tiny crustacea were compacted into beds of stone, layer upon lsyer. As England slowly formed, they were buried and then buckled and crumpled by continental shift, emerging in places on the surface, ready to be quarried.

"If you really want to get to grips with limestone, James, you'll have to climb on *it*", said s friend, kindly offering to help me do so. This is s man whose idea of fun is technical climbing at 8,000m (26,000ft). I had done only two days' climbing in my life, so I set off apprehensively.

We headed for the south coast, where the stone belt emerges in cliffs between Swanage and Portland, in places 150m high. Cormorant, the climbers' name for the outcrop we climbed, looked like a sheer face of limestone to me.

It dropped to s graveyard of massive broken slabs, played over by the waves. We abseiled off – a point of no return, I realised soon enough – and set sbout climbing. On the way back up, Cormorant seemed an appropriate name, even if the birds have been frightened off by men in fluorescent lycra.



The weir and toll bridge in the village of Bathampton, close to Bath

James Henderson

In quieter moments, standing on a tiny ledge 100m up, I looked around. The limestone strata wsre clearly visible in the cliff-face. There was no quarrying here, but further down the coast I could see gaps like missing teeth where the quarrymen had used a natural ledge to tunnel into the cliff. From there the blocks were loaded straight on to boats for shipment.

Certainly I had an appreciation of limestone by the end of the day. I bad been hugging it, alternately wedged into crevices and clinging, spreadeagled, on to exposed buttresses, wondering what on earth I was supposed to do next. There was a certain intimacy in carefully picking tiny hand-holds out of folds in the rock.

Afterwards, we took time out at the Square and Compass, a garden pub at Worth Matravers where many a climber has sat with a pint of ale and verbally picked his way back over the cliff-face. Like so many buildings in the area, the pub (which takes its name from stonemasons' tools), is built of local stone.

It was mid-summer, and the sun was gradually sinking, following its longest path over the downs. Mid-June is a fine time of year and a pub garden a fine place to witness it. With the first, absurdly green blooms of spring growth just past, the trees were filling out and the hedgerows beginning to billow.

Purbeck marble is another distinctive stone that originates in this area. It is s grey stone which overlies the limestone beds in thin seams and is visible in places, protruding from the cliff-face. Purbeck marble is not a marble at all, but is so called because it is one of the only British stones to take a polish.

It was very popular in ecclesiastical buildings in the 13th century, and was shipped all over the country alongside Portland and Purbeck limestones, to be used for interior decoration. In Salisbury cathedral you will see slender columns of Purbeck marble decorating the massive columns of the nave. Tiny kidney-shaped crustacea – ooliths – are still visible in the stone.

Salisbury Cathedral, which is visible from the downs for miles around, is built entirely of local Chilmark limestone – not far from the south coast the stone belt disappears under the chalk downs of Hardy country, re-emerging in the Vale of Wardour in northern Dorset and southern Wiltshire.

In the 60 years from 1220, 60,000 tons of stone were carted from quarries 12 miles from Salisbury. Sadly, limestone steadily dissolves in water, and this has left the cathedral sorely in need of repair, although the spirs has been restored. The Chilmark quarry was reopened to provide exsctly the right stone for the work.

The country around Chilmark and Tisbury, and on down to Sherborne, is rolling, rounded hills. The villages hide in the small, tree-lined valleys, and most of the houses are built of local stone from any of the many quarries in the area. Here the roofs are thatched or laid with slate. Tisbury has ooe of the country's largest tithe barns, with an enormous thatched roof.

In the tiny lanes, the hedgerows were filled with wild roses and elderflower. I was out walking when I came on some familiar-looking women chsttering and rootling around in the hedgerow. It was my mother and godmother, gathering the year's crop of elderflower heads. Using elderflower hesds, wster, sugar and some citric acid, you end up with a fine, and very English, summer drink.

Limestone has many colours (resulting from the amount of iron oxide) and the different quarries are known for their colour. Where Portland stone is very white, the Cotswold stones are famed for their honey colour. Others have tinges of ochre and even pink. Chilmark stone is light beige, with some touches of green, best visible after rain. Add to this the yellow, white and red lichens and the stone has an amazing variety.

The stone belt disappears below ground soon after Chilmark snd sppears again in north Wiltshire, on the slopes of the Avon valley. Here, villages such as Westwood and Freshford lie in wooded hollows, linked by tiny sunken lanes where the greenery threatens to bar your way. The stone is light yellow and golden and the antique, moss-covered roofing slates reappear.

I arrived in the local market town, Bradford-on-Avon, where pretty stone buildings cluster on the hillsides in lines. Bradford is a friendly town, its heart still at the medieval bridge, where the medieval stone buildings of the Shambles, the old market, look on today's trade of bakeries and bookshops.

Even the factory buildings are msde of stone in Bradford. There was a big trade in wool (sheep have traditionally been farmed in limestone areas) and the factories stand in the centre of town on the river; the water from the weirs was used for washing and for felting into cloth.

From Bradford I made my way along the Avon valley to Bath, cycling along the towpath of the Kennet and Avon canal. Woollen cloth and Bath stone were shipped along the canal early last century, but nowadays the barges carry families on summer holidays. in two places the canal is diverted across the river Avon on stone aqueducts.

Bath is known for its crescents, all built of local stone. Arranged in uniform lines, they seem grand after the rural abandon of the nearby villages, but they show off light honey-coloured Bath stone ("so soft and creamy", according to one mason I met) strikingly when it shines in the summer sun.

At school I was told that a man's nature is defined by the landscape around him. I suppose I know a few Scotsmen with the demeanour of granite, but it would be stretching the point to suggest that the soft contours of the stone belt – or even the dependability of limestone – have done much to shape Wiltshire's modern-day inhabitants. Still, travelling along the stone belt gives you a glimpse of people living a very English existence, rural and tranquil.

Practical Traveller

Life with the lions

You know whst they say: if you come face to face with a north American mountain lion, don't run away. Attack. They are as powerful as jaguars and have teeth as long as your little finger, but mountain lions are basically deferential.

They are also highly persecuted – or have been. For years, they have been shot at by ranchers and hunters. Lion numbers are reckoned to have levelled off recently. But US state game agencies still know too little about them to ensure their survival in the face of expanding human numbers.

The most direct way to find out about the lions is to join one of the many expeditions organised by Earthwatch. Since 1972 Earthwatch has supported 1,850 field projects in 104 countries by providing scientists with 40,000 volunteers, plus funds and equipment. It says its aim is to "improve understanding of the planet, the diversity of its inhabitants, and the processes that affect the quality of life on earth".

This is the sharp end of eco-tourism – a logical step forward for anyone tired of the familiar itineraries and (sometimes) shop-worn package deals strung together by commercial tour companies.

The mountain lion trips organised by Earthwatch take you to the Albion mountains of Idaho. Five expeditions are scheduled this year: July 6-17, July 27-August 7, August 17-28, September 7-18 and September 28-October 9.

The cost is £880 ($1,300) each, which covers food and accommodation, plus a contribution to the project's overheads (staff, field camp, vehicles, etc). Before leaving you get an expedition briefing (25-75 pages) outlining the history, aims and logistics of the project. Not covered: transportation to and from the meeting point. In the case of the mountain lions, this is Pocatello, Idaho.

Says Earthwatch: "These are real scientific expeditions, not tours. Earthwatch makes every effort to describe accurately field conditions in its publications, but field work in remote locations is a delicate business and prone to last-minute change. Certain details of your expedition may be different from published descriptions."

The Idaho lion project is trying to answer various questions. Exsmple: whst costs does inbreeding impose on small, isolated lion populations? Depending on season, Earthwatch teams help capture, radio-collar and monitor mountain lions, and locate kill sites. All teams share cooking duties.

There is s huge range of Earthwstch expeditions on offer. You can look for dinosaur remains in Argentina; study human origins in Uganda; visit the mammoth graveyard at Hot Springs, South Dakota; ponder the rise and fall of the Himalaya; track jaguars and other species in Peru; join a Bahamian reef survey; photograph humpback whales off Hawaii; and observe the behaviour of golden eagles on the Isle of Mull, Scotland. Almost all expeditions last 12, 13 or 14 days, with the cost generally falling between £800 and £1,200 each (plus travel to the pick-up point, visas, insurance and side-trips). Under some circumstances, part of the cost may be tax-deductible, even for UK tax-payers.

You have to be s member of Earthwatch to join these expeditions: £25 annually (family membership: £30). Details: Earthwatch Europe, Belsyre Court, 57 Woodstock Road, Oxford OX2 6HU. Tel: 0865-516366, fax: 0865-311383.

Michael Thompson-Noel

More Travel Advertising on Page XII

The Nature of Things/Clive Cookson

Solitons on the crest of a wave

John Scott Russell, a young Scottish engineer, was riding along the towpath of the Forth-Clyde canal one day in 1834. The horse-drawn barge he had been watching stopped suddenly but, to his amazement, its bow wave continued travelling down the canal.

It took the form of "a large solitary elevation, a rounded, smooth and well defined heap of water, which continued its course without change of form or diminution of speed".

Russell followed the solitary wave – about 1½ft high – for more than a mile down the canal before it lost its shape and disappeared. He was the first scientist to describe this extraordinary wave form, known now as a soliton, which maintains its shape and speed without widening and dispersing in the usual way.

The soliton is an intriguing natural phenomenon. The best known example is a tidal bore rushing up a river estuary, though satellite pictures have occasionally shown solitary waves travelling for hundreds of miles across the Pacific Ocean.

Today solitons are the subject of intensive research worldwide, not by scientists interested in the natural world but by engineers who want to send as much information as possible down optical fibres – the hair-thin glass strands which will make up the global communications network of the 21st century.

For optical communications, of course, the soliton consists of light instead of water but the mathematical requirements are the same: the forces tending to compress the wave must balance exactly those tending to disperse it. Too much compression destroys the soliton as surely as too much dispersion; you can see the effect in water by looking at incoming waves "breaking" on a beach.

By transmitting the zeros and ones of digital data as solitons instead of the ordinary pulses of laser light used in current optical systems, engineers hope to squeeze 10 to 100 times more information down the line.

It is impossible without using some technical jargon – and fiercely oversimplifying the physics – to explain how the soliton keeps its shape as it moves down the fibre. Any pulse of light, even one created by laser, has a slight spread of wavelengths travelling at slightly different speeds. The effect is gradually to smear out the pulse with time.

The compensating factor, which keeps the soliton together, is "non-linearity": the presence of the light itself produces a slight temporary increase in the speed of light in the fibre. This enables the back of the wave to keep pace with the front.

Opto-electronic engineers at telecoms research centres such as Bell Labs in the US and BT Laboratories in the UK have already achieved impressive test results.

They have made solitons carry data over the equivalent of intercontinental distances at a rate of 15bn digital "bits" per second down a single fibre, without any errors. That is enough to carry more than 1m simultaneous telephone calls. Over short distances – equivalent to a local network around a building – engineers have achieved soliton transmission at 100bn bits per second.

However a huge development effort is still required by telecoms companies and the manufacturers of optical fibres, lasers and associated equipment, before soliton systems can be put into practical service. One challenge is to control the timing; the lasers have to generate bursts of light lasting no more than 10 picoseconds (10 million-millionths of a second).

Another is to overcome the unwanted "noise on the line" that will be generated by optical amplifiers on long-distance cables carrying intense soliton traffic. And new computerised exchanges will be required to handle the torrents of data.

But Richard de la Rue of Glasgow University, who heads one of the leading academic research groups in the field, believes practical applications will be under way before the end of the century and perhaps as soon as 1997. The next transatlantic fibre optic cable, to be installed next year, will not use solitons but the one after it might.

The introduction of soliton-based systems depends not only on technical progress but also on continued rapid growth in demand for global communications capacity. If the multimedia revolution lives up to its advance billing, we will need not only solitons but also other capacity-expanding innovations such as "wavelength division multiplexing" (adding new channels by sending solitons of different wavelengths simultaneously down the same fibre).

If so, the transition from an inquisitive engineer observing the sedate progress of a solitary wave along a Scottish canal to billions of solitons a second streaming at the speed of light down an optical fibre will provide a perfect image of scientific progress from the 19th to the 21st century.

Despatches

Detour to danger in Soweto

Gordon Langridge tells how a day trip ended in robbery at gunpoint

It was never our intention to go to Soweto. On the contrary we thought it would be not only unsafe but ghoulish to visit so tragic a centre of violence and misery.

So, on the eve of our only day in Johannesburg, we asked the hotel porter to arrange for us a tour of the city centre. This, he said, might be difficult: there were tours to Soweto on a Sunday but not normally of Johannesburg.

In the event a city tour was arranged and my wife and I set off in a minibus driven by an amiable and well informed African guide.

At the Carlton hotel in the city centre the driver had arranged to pick up two other customers, a New Zealander and his Canadian girlfriend, both doctors. While we waited for them the tour guide explained apologetically that the newcomers wanted to go to Soweto hospital where the girl had done part of her training. Would we mind going there?

Was the route safe? "Absolutely," he replied "We go there every day and avoid possible trouble spots." And he assured us that the Sowetans were glad to see foreigners and anxious that their problems should be understood abroad. It seemed churlish and craven to refuse.

As we headed along the dual carriageway to the west of the city our misgivings began to seem silly. When we stopped on the hard shoulder for the New Zealander to take photographs of the workers' hostels we were at least a quarter of a mile away from them.

Certainly the view was interesting: we had not realised, for example, that, almost adjacent to the extensive barrack-like hostel area, was a tidy estate of detached family bungalows, small but clearly respectable and well cared for. Beyond them in the distance we could see the hospital.

Resuming our journey, our uneasiness returned with a vengeance, as instead of keeping to the highway, the driver took a rough road which divided the hostels from the housing estate, presumably to a short cut to the hospital.

We had driven slowly almost to the T-junction at the end of this road when it happened: a blue Toyota saloon overtook and stopped in front of us. From it appeared three or four armed youths, one of whom aimed a pump-action shotgun at the windscreen of the minibus.

The other youths ran to both sides of the bus and forced open the doors. The driver was made to get out and his place was taken by a member of the gang.

A shotgun, accompanied by angry shouts, was thrust through the doorway of the bus to within inches of the New Zealander's face. He thought he was about to be murdered but was told to hand over his camera and valuables and get out of the bus. We all had to do likewise.

The robbery completed, the youths got into the bus and drove off.

Relief at having escaped with our lives, and uninjured, was soon overtaken by the realisation that we were in the middle of the township without transport or access to a telephone.

Neither our driver nor any of the bystanders offered any help. My wife fortunately had the presence of mind to ask a pleasant looking young woman standing at the door of her bungalow if we might come in.

The woman hesitated, clearly aware that helping us was not without risk to her family, but then agreed that we might wait in the house. The woman, her husband and their neighbours proved to be kind and friendly people.

The police were called and, while we waited, we were offered beer; coffee was served in the best china cups. The house was immaculate, furnished and maintained with evident devotion and care. There was a gentleness and quiet goodwill about these people which was touching.

Many of them said almost as if it had become a conventional greeting, "All ws want is peace," and one believed them.

The police came within 15 minutes – not a bad response time for a district where houses seem not to be numbered sequentially and streets are not obviously named.

They arrived in an armoured vehicle and a flying squad car. Three young white Afrikaners with machine guns and pistols, wearing flak jackets, came into the bungalow and took up positions by the front and back doors.

They clearly took seriously the possibility that the incident had been set up as a trap for them – it had happened before.

They were calm, professional, extremely courteous to our hosts, and even friendly to us, although they must have thought we had behaved irresponsibly. They relayed at once to other squad cars the detailed description the New Zealander was able to give of the car the gang had used, and they patiently took statements from each of us.

None of us could describe our attackers in any detail: we were even unsure whether there had been three, four or five of them. Shock and fear it seems, enfeeble the power of observation.

"What about the many other witnesses?" we asked. "There won't be any other witnesses," was the reply.

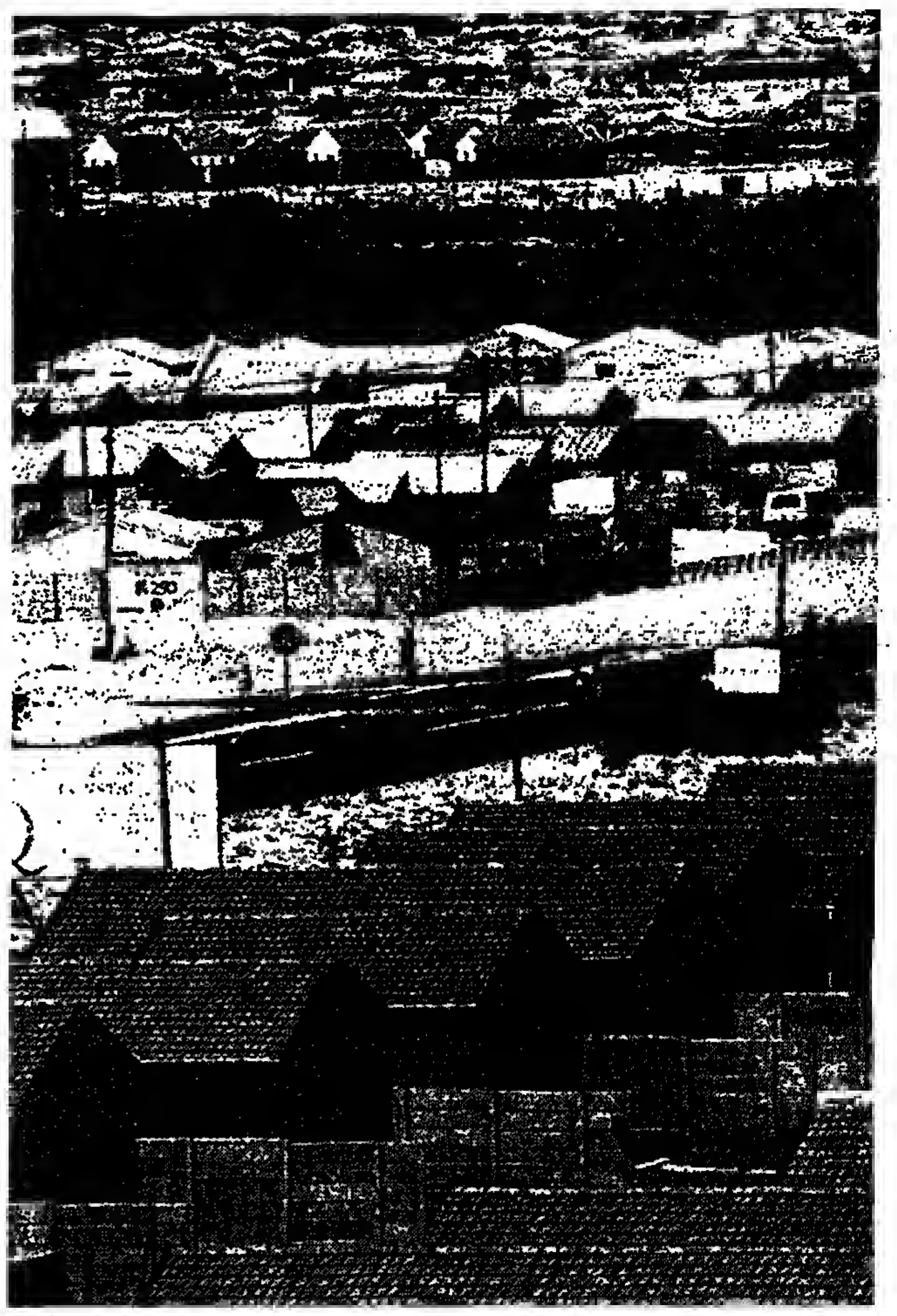
We asked the police about their work. We supposed that tours of duty in Soweto were short. Not at all, they explained: It takes so long to get to know the district that they have to stay. One of them had done seven years there already.

The police escorted us all out of the township and drove the young doctors to Soweto hospital which, to our amazement, they still wished to visit. We were interested only in returning to the calm and security of our hotel.

The next morning my wife went to a department store in the hotel complex and asked for a gift voucher to be sent to the woman who had given us sanctuary. "It will never get there," the girl explained, "she will have to come here to collect it." We very much hope she did.

Had we been foolish, or unlucky, or had we been set up? Certainly there were conflicting views about the wisdom of a visit to Soweto.

The hotel porter and the tour guide had assured us that there was nothing to fear. The two young doctors had been similarly advised by the friends they were staying with in Johannesburg. Yet the white South Africans we told of our experience were aghast that we had gone to Soweto and that the staff of the hotel had offered tours there. In the words of a startled young girl in the bank: "No one goes there; people get killed in Soweto."



The streets of Soweto: conflicting views over whether they are safe Glyn Genin

Skiing/Arnie Wilson

Spring snow is a grey area

The snow in lower Austria is melting fast: I have just enjoyed a great day's skiing in Kitzbühel, but it is impossible to ski all the way down the Hahnenkamm without hitting patches of mud.

Temperatures began to rise a couple of weeks ago. Christian Berger, tourist director for the Söll area, said: "Until 2 weeks ago we had wonderful conditions even though this was the warmest winter for 100 years. But last week the temperatures were higher than in Turkey or Greece. It was 25°C in Innsbruk and even 21°C up here in the mountains."

Now, there is virtually no snow – slushy or otherwise in some low-lying villages. When we drove past Hopfgarten on the other side of the mountain from Söll, a popular haunt with British skiers, the lack of snow was plain for all to see.

My plans to ski down from Söll have melted along with it. But then the pistes down to Hopfgarten are traditionally the first to lose their snow.

The conditions alarmed a dozen or more members of the Allegany Ski Club from Maryland. They arrived from the US a week ago for what they were hoping would be "skiing like they have in the Rockies". They were shocked to see so many green fields basking in so much sunshine.

Mike Fetchero, the organiser, found himself under siege from his group, most on their first skiing trip to Europe.

"It's a long way to come for Florida-type weather," he said. "I admit that most of the group was upset by the spring-like conditions, but by taking a two-hour bus-ride up the Stubei glacier, we've had some good skiing. And we've met so many nice people and enjoyed such good sight-seeing that it doesn't really matter."

But this does not mean Austria has no snow.

The ski club did not really need to bus to Stubei, one of seven Austrian glacier areas which currently report good snow, and which manage year-round skiing. Kitzbühel still has plenty of good skiing between Jochberg and Pass Thurn, and although you can no longer ski from Söll to Hopfgarten, you can still get to Brixen, Westendorf or Scheffau. It is just that conditions are more than a little spring-like.

"It is spring on Monday after all," said Marion Telsnig at the Austrian Tourist Office in London. "The conditions are good," she said, "for the time of year. The problem with British skiers is that they expect to ski from 8am until the lifts close every day. The Austrians are a little more laid back about it. They realise that in springtime, you ski till lunchtime and then – when the snow gets a little sticky – you do something else."

Whatever the official line, skiers are entitled to expect decentish skiing in the first part of March, and this time last year they had it even here in low-lying Kitzbühel.

But this year, both Austria's and Italy's lower slopes are becoming bare earlier. France, on the other hand, with higher skiing areas, is still reporting great skiing. Austria itself still has good snow on both upper and lower slopes in its stalwart traditional high-spots of Ischgl, Obergurgl and St Anton.

Whether you call it slushy, spring-like, good, or excellent, the quality of skiing in Austria's lower resorts in middle to late March is something of a grey area. But not really a white one.

Meanwhile, out of my window I can see it is snowing again – not enough to whiten the lower slopes, but a handy sprinkling higher up. If it carries on, spring might have to wait after all.

■ *Arnie Wilson travelled to the Austrian Tyrol with Airtours, Wavell House, Holcombe Road, Helmshore, Rossendale, Lancs, BB4 4NB, tel: 0706-240033; and Avis.*

FT Round the World Ski Expedition

Arnie Wilson and Lucy Dicker are trying to ski every day of 1994 on a round-the-world expedition. This week, they moved from North America to Europe. Arnie writes:

We arrived in up-state New York to enjoy the Catskills ski areas: Belleayre was fun, but we had been warned that Hunter Mountain would be "a zoo" on a Saturday. We were pleasantly surprised – no-one mugged us or offered us drugs. Perhaps the armed security men helped.

We wanted to ski Cortina and Davos (the US versions) in preparation for Europe, but only Cortina was open.

Then we lingered too long at genteel Windham, skiing a few runs with the Austrian ski school director Franz Kirkl, and completed our 25th Everest (in terms of vertical feet skied) in North America. Things got worse when we became lost in New York and only caught the flight to Europe by the skin of our teeth.

■ *There is still time to win a skiing holiday in Courmayeur, or ski equipment, by entering the competition which appeared in Weekend FT on March 5 (copies from the FT shop, tel: 071-873 3324).*

SPORT AND MOTORING

As They say in Europe/**James Morgan**

A Titanic sinking on the rugby field

There is reason to believe that today conld be *marked* by extraordinary, even catastrophic, events. If France lose their final match in the five nations' rugby championship against Scotland tbis afternoon, there is fair chance *the team* will he wiped out hy a pnhlic driven beyond all reasonable levels of tolerance. Even more amazing will be the sight of the Frencb sports writers disappearing *en masse* in a flash of spontaneous comhustion, or flinging themselves from the highest point of the Murrayfield stadium in Edinburgh.

There will be different motives. The commentators on the France-Inter radio station will be enraged by the unfairness of it all. Their reporting of tbe (losing) game against England in Paris a fortnight ago was enlivened, for me, by the succession of invisihle *fouls* committed by English players, and hy a total ignorance of rule 13 which the referee (rigbtly) used to stop Thierry Lacroix having a second go at a conversion attempt wben the ball had fallen over. "We are all Europeans and therefore impartial, but really . . ." said Eric *somebody or other* into his microphone.

Tbe game also "appeared" entirely different because, in the mouths of the commentary team, tbe distinctly unandrogynous England hooker, Brian Moore, emerged as Brie-Anne Morre, surely an American hooker.

In the newspapers, however, there was no feeling that France were *victims. The French writers* decided, unanimously, that there was just one prohlem: their team was no good. This was not just a matter of losing against moderate opposition, nor of failing to play up *to expected standards. It was a fail*ure of cosmic proportions – a sinking of the Titanic on the rugby field. It was the kind of failure of which the former – and mnch-maligned – England soccer manager, Graham Taylor, could only dream.

There were hints of catastrophe in earlier matches. The wide bnt insubstantial victory over Ireland at Paris's Parc des Princes in the first match raised doubts. Defeat by Wales in Cardiff rang alarm bells. "Le fen rouge." shouted *L'Equipe* on its front page. This play on words meant either Welsh fire or a red traffic light. After that match, coach Pierre Berhizier commented: "I preferred today's defeat to the victory of two years ago. I know *how we were beaten*, hnt not how we won last time here."

That was a hostage to fortune. For, by the time England arrived in Paris, the press wanted no more understandable defeats hut a victory. *Especially against a side that* always beat them, especially at home.

Disaster struck: France were beaten 18-14. On page one, *L'Equipe* shouted: "Change all this for us." Page two was headlined "The great fiasco", while the newspaper declared the French XV to be brain-dead on page three under a headline that read: "The encepbelogram is flat."

Midi-Olympique was relatively phlegmatic: "France is passing through its worst crisis since the second world war," it said, before asking: "How has France fallen so low?" It then opened what it called "The burning dossiers of tricolour rugby."

In the nation's rugby capital, Toulouse, *La Dépèche du dimanche* began its report: "This new defeat hy England undoubtedly marks the end of a team which, decidedly, has nothing more to give, not the *savoir-faire*, nor the indispensable success at this level."

It concluded: "At the end of such a mediocre, *yet poignant*, matcb, it is not appropriate to put forward ideas; a delirium of destruction cannot be avoided."

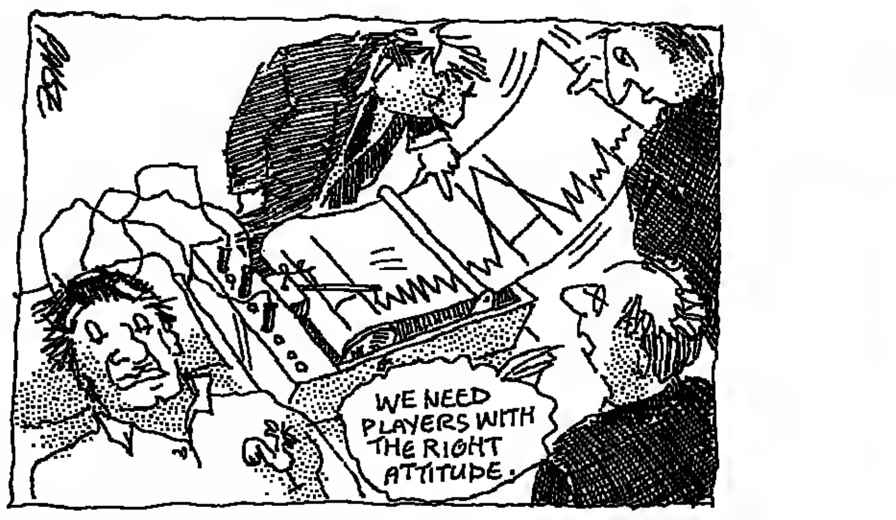
Tbe "poignancy" of the match came in the way England played. It consisted of everything that aronses Gallic scorn, admiration and resentment. England were boring, disciplined, resolute, unimaginative. A former national fullback, Pierre Villepreux, wrote in *Libération:* "The English had no donhts, even when France were dominant. They played on a tactical hase which they fully mastered . . . a game which brought together their culture and education."

In a typically Marxist Interpretation of rugby, Villepreux concluded that what counted was a unity of practice and tactics – something the French lacked entirety.

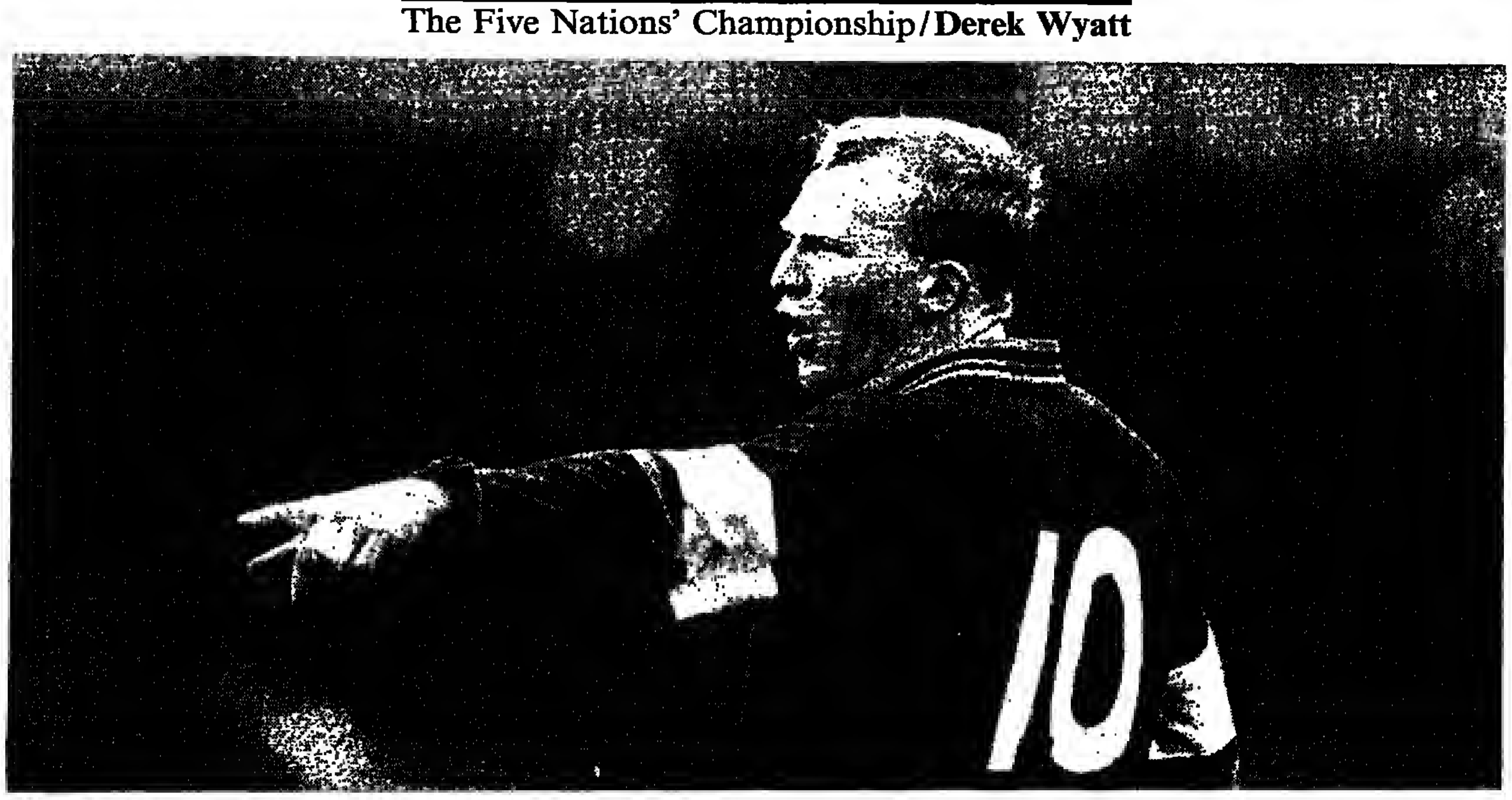
There is a new team for *today* which excludes Olivier Roumat, the captain against England, Wales and Ireland. *L'Equipe* proclaimed: "It is not yet the Regency, nor is it the end of the Empire." There has been no "delirinm of destruction," though. Thierry Lacroix, whose missed kicks probahly cost France victory two weeks ago, said he was prepared for anything. "We've been slaughtered by the press and television all week," he said.

But the critics are keeping their powder dry. After all, if Wales beat Eogland, as they will, and France beat a Scottish XV missing its best player, scrnm-half Gary Armstrong, as thcy will, France will finish second this afternoon. Not bad for a side "withont aggression, will or imagination".

■ *James Morgan is economics correspondent of the BBC World Service.*



The Five Nations' Championship/**Derek Wyatt**


Neil Jenkins: pointing the way for Wales

Allsport

England to triumph on a mighty occasion

Something is wrong. Something is going right with English sport.

First, Terry Venahles' appointment is applauded, second, Ray Illingworth comes in from the cold to take the reins of the England cricket team and, late yesterday, the Rugby Football Union continued this uncanny run of common sense by appointing Jack Rowell, the Bath coach, to be the new guru for the national side.

The announcement was expected *on Monday – but its timing* gives him the chance of being fully involved wltb this afternoon's game.

Rowell's appointment will he widely welcomed, except perhaps by a few die-hards within the *RFU* executive committee. Rowell's precise role will need to be carefully defined over the coming months. He may want to merge the role of manager and coach.

Dick Best is the present England coach, but the jury is out on his contribution to the England set-up over the past three years. He is an enlightened coach but his work for England has gone largely unnoticed. Geoff Cooke has retained all the power in selection.

In particular, Best lost the case for Stuart Barnes, the Bath captain, as the pivot on which to base his England team. Without Barnes, a running outside-half, Best lost the architect of his tactics.

Instead, we have had a diet of unrelieved horedom from the England camp, the win against the All Blacks notwithstanding.

The England team, instead of building another dimension to their game, as the Australians did between *their Grand Slam* in *1984* and their winning of the World Cup in 1991, has gone from rags to riches to rags in an identical period of time. And, in between, France and now Wales have made great strides to catch up.

Gooke's control of the England team was suffocating the side. He needed to relieve Carling of the captaincy and allow Dean Richards, one of his béte-noires, the chance to lead the side until after next year's Rugby World Cup.

Rowell's appointment may lead to a shake-up in the England team. He will probably replace Andrew with Barnes and ask Will Garling to stand down as captain. He would also call on all his powers to ensure a fit Jeremy Guscott at centre. If one player has been missed this season, it has been Guscott.

We might just have reached the same conclusion over gifted Welsb centre Scott Gihbs wbo has also been absent for the tournament. *Without him though*, Welsh hack play has matured and developed beyond expectations.

This is not just because of Neil Jenkins' coming of age, hut because of his right-hand man in the centre, Nigel Davies. For me, Davies has been the player of the championship. Unsung and largely unheard of, he missed the Canadian débâcle in *November* and, *through* injury, the French game four weeks ago.

But Davies has an acute tactical hrain, safe hands and is a sound kicker. Above all, be has one exceptional gift, he makes time for himself. The Llanelli player will have his toughest game today against Carling. It will be one to savour.

Romantics will want a Welsh victory. After all, there were supposed to be only two teams in this championship, England and France. My how we all got that wrong.

Gommentators are already concluding that Wales' chance of achieving the Grand Slam has come too *early for the team. This* is *nonsense.* Nothing comes too early in sport.

Nevertheless, this is a wounded England side and there is nothing more dangerous. They played so abjectly against Ireland that they *still* have sometbing to prove to their loyal supporters.

The side has developed a symbiotic relationship witb them and they *will want to* provide a game to talk about and a game with which to thank Geoff Cooke for his sterling work over the past seven years.

The game again hinges on the play of the respective hack-rows. Dean Richards has that nncanny knack of always being in the right place at the right time. His presence enables Ben Glarke to play a slightly wider game, one that best fits tha likes of Victor Ubogu and Tim Rodber. It is their pace over the ground – which the Welsh lack – where the game will be won.

I do not see England being unduly bothered about tries in spite of the *media* interest. They will want a win and will steel themselves to ensure it is by the requisite 16 points so that they can claim the championship. I believe they will do it. Twickenham is again bost to another mighty occasion.

Tennis/**John Barrett**

Smiles in the sunshine state

It was a poignant moment in the deserted stadium that hright Florida afternoon last January. "Here dad, you'd better hit the first ball, you've waited long enough!" Trey Buchholz tossed tbe balls *across* the net to *his* father, Butch, who caught them and swung his racket to inaugurate a new era at The Crandon Park Tennis Centre in Key Biscayne.

If the former US No 1 was smiling with quiet satisfaction, one could understand it. For him, this was the realisation of a 30-year dream. It was also the end of a five-year legal struggle against the Matheson family (who had sold the 900-acre site to Dade County in 1940) and local opponents who were worried that the construction of a 14,000 seat stadium would bring a host of noisy sporting events and concerts to disturb *the area's tranquillity.*

The political and environmental battle has cost millions in legal fees. Butch and his brother Cliff owe more than $2m while Dade County has run up an even larger hill. "But it was worth it," Buchholz insists. "Back in the 1960s when I was part of (Jack) Kramer's professional group that was outlawed by the amateur gama we used to sit around and look to the day when all the amateurs and pros would be competing together in a great tournament managed hy the players. While our stage in those days was either a hangar or an old exhibition *building, we dreamt of one day stag*ing a fifth Grand Slam played in a super stadium somewhere."

It is a pleasure to report that the dream has been realised. Gone are tbe makeshift tents and trailers that have boused players, media and officials since that first Lipton Championship back in 1985 at the Laver Resort in Delray Beach. In their place, on a site that was once a rubbish dump, has risen a $20m state-of-the-art facility containing comfortable quarters for everyone, including the public, who have been attending this year's 10-day tournament in record numbers. Furthermore, for the *remaining 50 weeks* of the year the public will be able to book the courts at Crandon Park for their own private battles.

The tournament, a partnership between the ATP Tour, the Women's *Tennis* Association, *Dade County* and the Buchholz brothers, may not he the fifth Grand Slam but it offers prize money of $3.3m. Sponsorship provides 60 per cent of the income, the sale of boxes and ordinary tickets generates 30 per *cent. Television rights, retail* sales, concession income, programme advertising and sales provide the balance.

An independent Economic Impact Study, conducted by the University of Miami and the Miami Convention Burean, has estimated that The Lipton, with its attendance of more than 200,000, generates $103m in annual income for the South Florida area.

A new dimension has been added to the venue by the establishment of tbe USTA's National Training Department at the site under the direction of Ron Woods and former Wimbledon and US Open champion, Stan Smith. The director of coaching is former Tour player Nick Saviano who I have admired for his dedication in instilling a professional approach among the young American players he has guided on overseas trips.

"We have a perfect setting here," says Saviano. "Eventually there will be four red clay courts like the ones in Europe, four green American clay courts, plus two grass and 17 hard courts. We shall at last be able to prepare our players properly, wherever they are hound." Saviano recognises that the young *Americans have fallen behind* the rest of the world. "There was a time when the top Americans in their age groups were automatically as good as anyone in the world. That is no longer the case."

This week Andre Agassi has been setting the pace. His straight sets wins over two former world No 1s, Boris Becker and Stefan Edberg, have confirmed the effectiveness of the wrist surgery that he resorted to after an injury plagued year in 1993. "We are assessing it week by week", he said.

The on-court Agassi certainly looks sharp and fast, more like the *man* who *so delighted* us at Wimbledon in 1992. "It's definitely coming along much quicker than I expected", he said. "My fitness speaks for itself."

The Agassi '94 should prove a very tasty vintage.

Motoring/**Stuart Marshall**

The Java – in tune with the times

The parallels are striking. The Bentley Java concept took the Geneva motor show by storm this year; the Aston Martin DB-7 prototype was the sensation of last year's show.

Both are the smallest models to come from makers which for years have produced nothing but very large (and even larger-engined) sporting saloons and coupés. They are *in tune* with the environmental awareness of our times. Even though aimed at buyers rich enough not to have to worry about fuel consumption, tbey are eco-friendlier than traditional Bentleys or Aston Martins. And the DB7 costs about half as much as a V8 Aston Martin or Lagouda.

Rolls-Royce Motors (which owns and makes Bentleys, too) set *the Java concept* in *motion* nearly two years ago. It was a co-operative project with Design Research associates, a small but internationally-renowned British industrial design and styling house.

Rolls-Royce will spend the next year discovering if the Java appeals to enough people who already own, or are likely to buy, *its* standard-sized cars to make the Java's further development and eventual production worthwhile. Then, it will have to find the money.

Here, the parallels start to diverge. Aston Martin *had* the good fortune to be taken over by Ford at a critical time in its history. With Ford money and engineering resources, plus an *off-the-shelf* engine from Jagnar (also a Ford subsidiary), the DB7 moved so smoothly from prototype to small-scale production that it will be on sale later this year. But tbe Bentley Java is only at the start of the development curve.

The truly beautiful car unveiled at Geneva on press day last week looked as if it *could be driven* out of the Palexpo huilding and on to the *sun-drenched* autoroute to Lausanne. In truth, it was not even a runner. The 3.5-litre, V8, twin-turbo engine due to power it is still being developed by Rolls-Royce's associate company, Cosworth Engineering, of grand prix racing fame.

If Rolls-Royce decides to go ahead, it would be 1999 before the Java could reach the showrooms. And where would the money come from? Perhaps it is no more than a straw in the wind, hut few visitors to the Rolls Royce/Bentley stand were taking a closer interest in the Java than Bernd Pischetsreider, BMW's chairman.

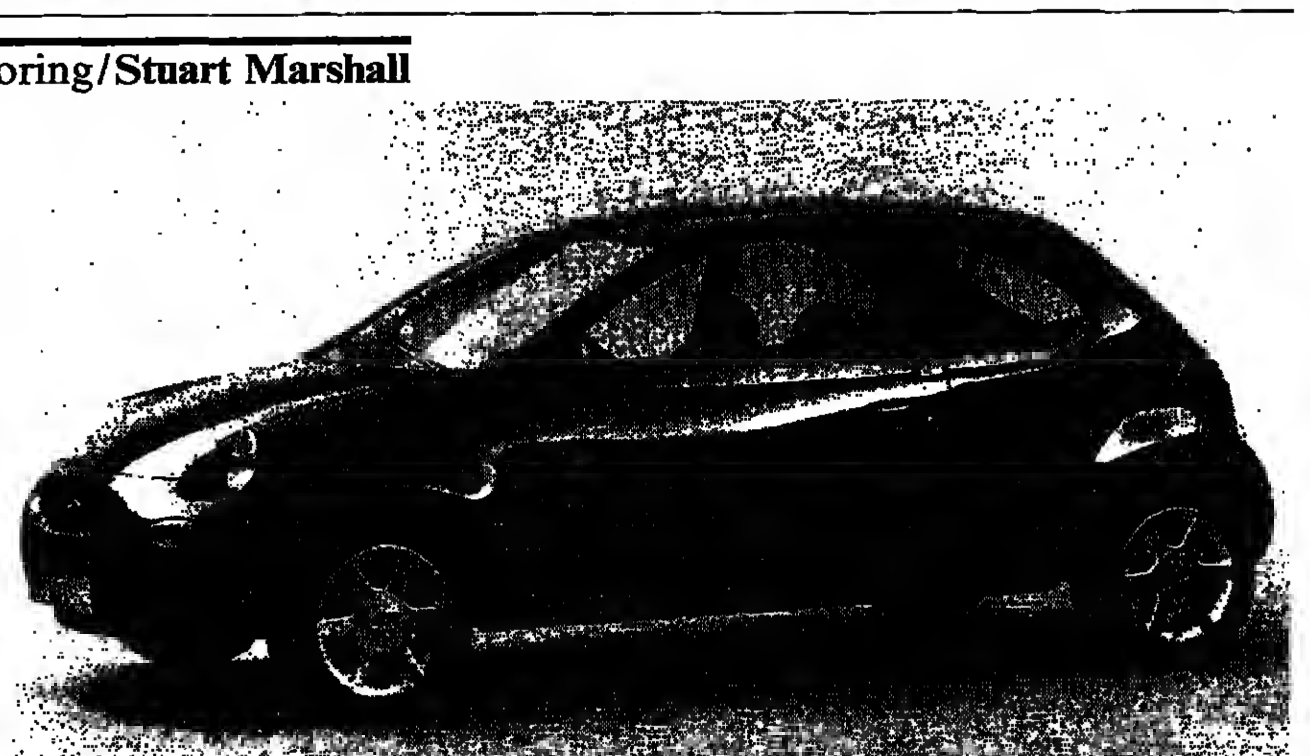
Were Rolls-Royce to link with another car-maker, BMW is considered the likeliest partner; the two firms have been talking informally for several years. Witb Rover, the biggest British-owned manufacturer swallowed already, BMW migbt well fancy the most famous one for dessert.

At tba opposite end of the market was anotber eye-catcber; Ford's hot pink-coloured Ka, whicb is not shorthand for a motor car hut the name of an ancient Egyptian spirit. Tbe Ka, smaller than a Fiesta, has a very long wheelbase to maximise interior space and ride comfort, curvy body panels, and all the latest safety features. Ford claims it will be fun to drive – something that first-time huyers and women drivers are said to look for when choosing a car.

Spacionsness is one of the features of Audi's mould-hreaking A8 luxury saloon, which has the longest interior of any car in its class. Two versions of tbis trend-setter, which is made almost entirely from *light alloy*, go on *sale* later *this* year.

The 2.8-litre, 174 horsepower V6 has front-wheel drive and a five-speed manual gearbox (four-speed antomatic an optional extra); the all-wbeel driven, 4.2-litre, 300 horsepower V8 *quattro* comes only witb Tiptronic transmission. Tiptronic, used first hy Porsche, combines the beat fea*tures of manual and automa*tic. You can leave tbe selector lever alone and drive the car like any other automatic, or sbift gears clutchlessly for yourself.

The Audi A8 promises to compete head-on witb BMW's soon-to-be-unveiled 7-Series as well as the perennial best-selling luxury car, tbe Mercedes-Benz S-Glass, which was *shown with some minor cos*metic changes to make it look a little smaller. Big, it seems, is no longer beautiful, even among German buyers of top management cars.


This is Ka, Ford's idea of the shape of small cars to come

The real thing

For my drive to Geneva this year, I chose a Mercedes C-250 diesel automatic. It gave me 34.25 miles per gallon (8 l/100km) over almost 1,200 miles (1,932km) of fast autoroute cruising, leisurely driving on near-deserted roads following the canal de Bourgogne, two crossings of the Col de la Faucille, and jostling with Geneva's traffic.

Without retracting a word of my criticism of the nasty trim materials used in some C-Class cars in a bid to appeal to younger buyers, I have to say my leatber-trimmed C-250 looked and felt a real Mercedes. It gurgled softly at start-up from cold, hut then ran so quietly at anything between 60mpb and 100mph (97-161kmh) that one forgot it was a diesel.

One of the most agreeable aspects of driving a diesel is the way they reward roadcraft. By looking as far ahead as you can, and anticipating what is tbere, you cover the miles more smoothly and far more economically *than any hot-shot* driving a petrol-engined car on the accelerator and hrake. And you arrive unstressed.

FASHION / HOW TO SPEND IT

Comment/Brenda Polan

Baby dolls with a tough message

Fashion, the source of mnch innocent pleasure, is capable of arousing an extraordinary amonnt of displeasnre. It has always been so. Moralists throughout the ages have predicted the dowofall of civilisation on the grounds of an excess of seqnins, five-inch heels or stressed whalebone.

But their homilies were never as disturhing as the current ontpourings of gibberish to which fashion is falling victim.

Possibly the worst example is the theory which is glihly advanced for fashion's current preoccupation with n waif-like body and clothes which, in their hrevity and their winsomeness, remind some commentators of the children's department at Harrods.

This style, says the new generation of style police, is paedophilic and utterly to be deplored. Their analysis does not go beyond this catchword hut it is such a loaded word that it hardly needs to.

Beadlines and hlnts are quite enough to communicate the horror and revulsion readers are intended to share. Do those commentators nnderstand the term they are using? Or is it just a smart word with lots of syllables that gets their story on to the front page.

Some certainly do and one can only assume that they do not understand what they see on the catwalks of international fashion designers and, more importantly, on the streets of our cities.

We have just emerged from one of the most stultified and stultifying periods of fashion history, a period in which the ideal woman was trussed up in tight, rigidly structured clothes which projected a self-conscions, mature sexuality. Paradoxically, women did not feel they could be taken seriously in the workplace, never mind the boudoir, if they were not displaying well-propped cleavage and lengths of sheer-stockinged leg atop sharp stilettoes.

The most that could be said for this swaying, hourglass-shaped parody of what a transvestite thinks a girl should look like was that it took the most unamhiguously ohvious symhols of femininity and transformed them into nggressive weapons.

Traditionally regarded as a way of dressing which pleased men and, therefore, placed the wearer in a dependent, eager-to-please role, it was transformed into a way of dressing which intimidated men and pnt women in control. The moth to the flame method of manipulation after Alexis Colhy.

Many women hated it and refused to play. Thonghtful analysts of fashion were torn between approving of it – because it obviously made women feel empowered – and disapproving of it – because it made them look like cartoon-character tarts.

Bnt there was another style of dress running in parallel with the executive tart and it was highly subversive. It consisted of leggings, a decency preserving top, and hig, hig boots; it looked extraordinarily like the costume for a particularly competent principal boy.

The women, usually bnt not always yonnger women, who adopted this style swaggered rather than minced. While they sat with their legs comfortably hitched over the arm of the chair, their micro-skirted sisters wriggled uncomfortably, attempted to cross theirs sednctively and prayed their knickers were not showing.

As we all know, the principal boy is an inoocent, virtuous, straightforward kind of character. The baby doll look which young women are enjoying at present is a simple development of both the look and the mood it represents. It is abont innocence rather than experience, suggestion rather than insistence. It is tentative, approachable, youthfnl, instinctive and free-spirited. Unlike the principal hoy look which is gamine, androgynous and deliberately jokey, it is incontestably feminine.

Bnt no modern young woman wants to look like a real bahy doll. This is a baby doll with an edge. She may be an innocent, bnt she's nobody's fool. While the clean simplicity of her droopy little slip of a frock may tell some of the truth about her, the whole story is a lot more complicated.

So she wears her hair sticking up in rats' tails that have taken hours to construct and she either parodies the executive tart's stilettoes hy wearing them with ankle socks or climbs into the biggest, hutchest pair of mountaineering boots she can afford.

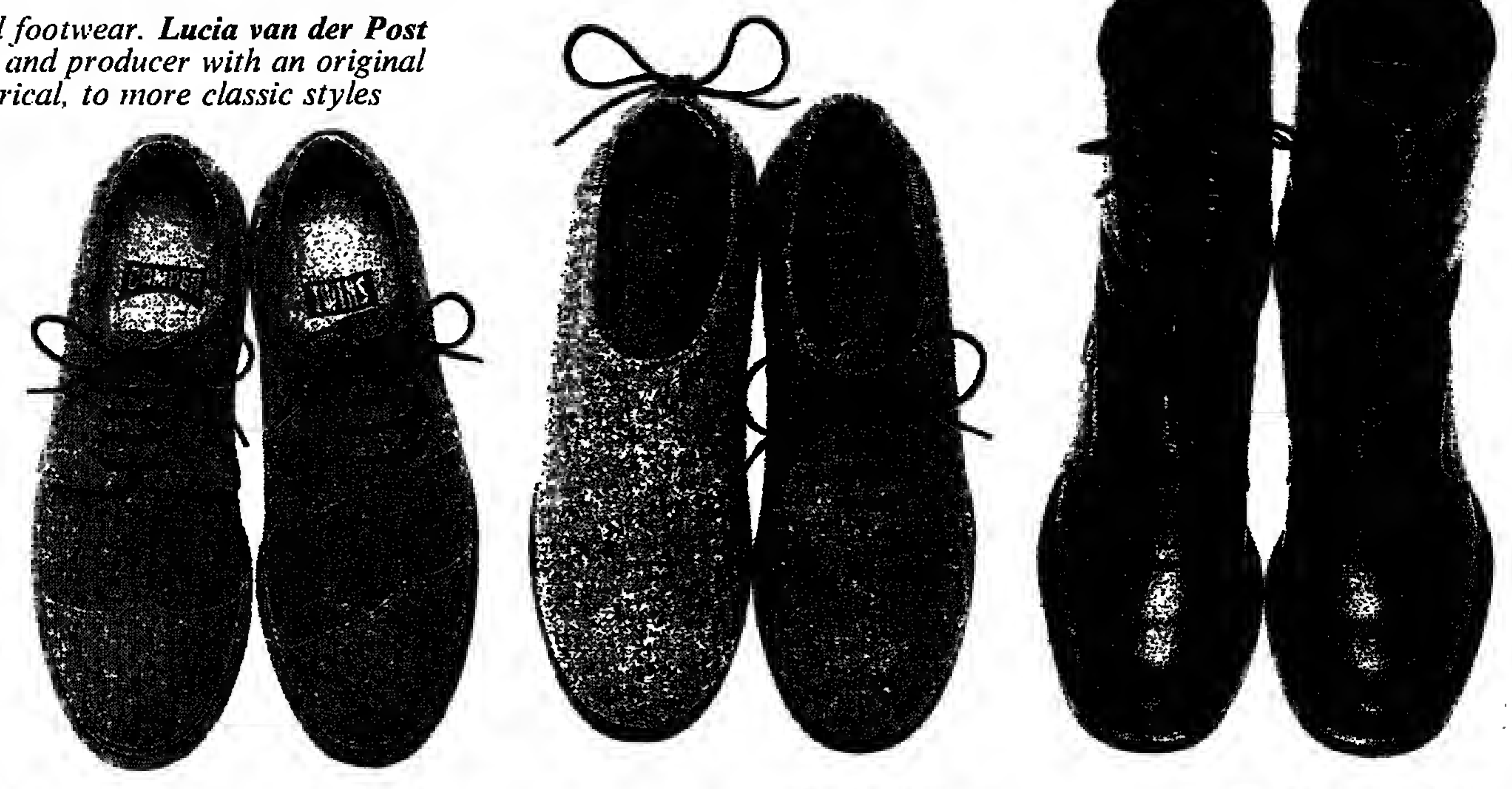
The details may be different hut in its rejection of knowing nltra-femininity, the baby doll is very closely related to the 1960s mini in a way that the 1980s mini was not. As Mary Quant said nt the time, the mini-skirted swinger was trying very hard indeed not to look like her mother. Consequently, she time-locked herself, metnphorically, into late adolescence.

But she did not do it to titillate paedophiles; she did it to distance herself from preceding generations and to identify with her own. Similarly, today's skinny-shanked bahy dolls do not imagine they are giving pleasure to anyone who is sexually attracted to children.

But she does hope she will shock and alienate the complacently middle-aged who think they know what an attractive female should look like. And she hopes her message of innocence and toughness, wariness and openness, will speak to the young men of her own generation.

No match for a pair of shoes

Stand out in a crowd with odd footwear. ***Lucia van der Post*** *reports on a Spanish designer and producer with an original range – from the asymmetrical, to more classic styles*



Anyone accustomed to buying shoes thnt are absolutely identical has probably not stopped to consider whether there is some immutahle law behind this perfect symmetry.

Since our childhood, shoes have come in pairs and the likelihood was that they would do so for ever more.

But Camper, a Spanish company based in Majorca, decided to look at the matter differently. "Why," it asked, "is that throughout history a pair of shoes has always heen made symmetrical, the left exactly the same as the right?"

And it followed this up with another question: "Why can't a pair of shoes he disparate, asymmetrical and the left different from the right?" Twins, after all, are not necessarily identical and sometimes eveo scarcely resemble each other.

It went oo to point out that the notion of asymmetry has a distinguished architectural lineage – from Gaudi and Le Corbusier in the fields of architecture to Vionnet, Miyake, Yohji Yamamoto and Rei Kawakubo in tho field of fashion.

From there it was a sbort step to an exercise in exploring the asymmetrical pairs of shoes, some of which are photographed here. The kinship between the shoes is obvious – there could be no mistaking that *they belong to the same* pair and yet each left is subtly, and sometimes oot so subtly, different from the right.

For those who find this hreaking of the established *rules of footwear a trifle alarming*, Camper does produce other ranges which, though less innovatory, are just as interesting.

Its Camaleón line is a self-conscious recreation of a peasant shoe, the sort worn hy country people all over Majorca. The perfect shoe for the ecologically concerned, it is made from unusahle off-cuts of leather, worn out tyres and strips of canvas.

It also occurs to me that it is the perfect shoe for those who dislike anything that looks too new – these shoes look as if they have already heen to some interesting places hefore they leave the shop. For those who do not lead the life of a country peasant these shoes are the sort to take on holiday, to heaches, to Majorca perhaps.

Perfect for those who spend summer holidays on beaches or in hot climates is the Terra collection. Based on the old-fashiooed espadrille it has heen updated by dyeing the canvas with colours and patterns and using new materials (ruhber and natural rope) for the sole which give it greater strength without detractiog from the original "look".

Camper also has a range for real traditionalists – the Cartujano which aims to marry traditional Spanish styling with fine quality leather. There are *soft loafers, brogues, boots* – the whole gamut of classic footwear.

The Camper range can be found at Paul Smith of Floral Street, Covent Garden, London WC2; Nichols of Birmingham; Matches of Wimbledon; Limeys of Leicester, Sheffield, Derby, Nottingham; The Natural Shoe Store, 325 Kings Road, London SW3; and 21 Neal Street, London WC2. Prices range from £45-£80.

If your tastes are more classic still it might be worth looking at the Paraboot which has similarly romantic origins. Camper shoes are made using traditional methods in little workshops all over Majorca, while the Paraboot comes from the small village of Izeaux in the Isère region of France. The original footwear produced in Izeaux was practical and sturdy, shoes for the tough farming life, often made in the farmers' own homes with crude tools.

However, Remy Richard-Pontvert, a local cobbler, began to visit fine Paris boutiques and saw that quality and finish were important if he wanted to expand and sell to more sophisticated shoppers. While in America he saw rubber-soled shoes. He went straight home and developed and then patented his own rubber sole from which evolved the Paraboot (the rubber came from Para in Brazil).

In France they are as well-known as Church's are in Britain. They are made from fine full-grain leather and all the stitching is still done by hand. They have only fairly recently been on *sale in the UK* hut have already become much sought after.

Most famous shoe in the range is possibly Michael, a soft casual lace-up but there are loafers, brogues, boots, golf shoes and boat shoes. Prices range around £105 a pair and the shoes can be found in good men's *shoe shops, including* Office Shoes, Jigsaw for Men, Woodhouse and Selfridges in London.

Furniture from the formidable Fendis

Lucia van der Post *on the Italian fashion house's designs for the home*

Until now Fendi, the Italian fashion house, has heen known mainly for its expensive-looking luggage (distinguished as is customary in these circles hy initials, in this case, a reversed double F) and its swankily extrovert fur collection.

It is also famous, in Italy at least, for being run hy five go-getting sisters – Anna, Carla, Franca, Alda and Paola.

In 1925, the first Fendi furs and small leather pnrses were made hy Adele Fendi in a small workshop in the Via del Pleshiscito in Rome. Thongh Rome is filled with fine creators of desirahle leather goods, the Fendis nonetheless managed to attach to theirs the kind of aura that turned a piece of Fendi luggage from being just a handy way of carting ahout helongings into a grandiose statement ahont wealth and taste.

Their furs, too, have always had about them a kind of Roman swagger – at a time when other designers were turning out fnrs that were discreet and classical, Fendt made them fun (the in-house catch-phrase for what they did was to "demystify") which is why the choice of Karl Lagerfeld in 1964 as the designer of the fur collection was so inspired.

It is true that these days his conscience about using fur is troubling him and he has gone a hit soher on them hot through most of his years as their designer he has kept their collection right at the cntting-edge of the pelt trade.

From furs and leather pnrses Fendi went on to provide more goodies for those with Fendi tastes – ready-to-wear clothing, scarves, ties, gloves, pens, stationery, shoes, lighters . . . name a life-style accessory and Fendi will have provided it.

Every proper fashion house these days seems to feel the need to market a fragrance, and so the Fendi fragrance for women was launched shortly after the ooe for men.

Yoo might have thought the Fendi world was now complete. Yon would have thonght wrong. From the concept of dressing the woman, it is hut a short step to dressing the home and this is what Fendi proposes to do.

It has expanded into what, for lack of more enterprising words, I can only call the life-style arena – Fendi fans need no longer surround themselves with furniture of dubious lineage.

Those who relate to the Fendi label can sit in Fendi chairs, lounge on Fendi sofas and eat off Fendi tahles.

Fendi Casa, as the furniture line is called, is designed by a group of in-house designers but, as is the tradition of tha house, one of the formidable sisters, in this case Anna, supervises it.

The best thing to be said about the range is that it looks unqnestionably Italian. Bnt this is not the Italy of the cornetto, of Neapolitan arias, Venetian gondolas and pizzerias, but the qniet dignified Italy that exists behind the shutters in even the husiest cities.

It reminds one of the shaded sitting-rooms in tall Milan houses, of quiet formal dining-rooms in Roman apartments. As the photograph of the sitting-room shows, the simple lines of the room are never dull, the lack of clutter generates a feeling of great strength and tranquillity.

The design lineage, which the house of Fendi openly acknowledges, is Biedermeier, *fin-de-siècle* Vienna and the best of Art Deco.

Not all the pieces are to my personal taste – n few suffer from the over-heaviness of line common in bourgeois Italian homes – I like best the stroug chair photographed here (Domiziana) and the less formal range known as Espositore.

Here there is little that is startlingly new hnt much that is pleasing. The range depends npon using very chic fabrics in a soft, draping, informal way.

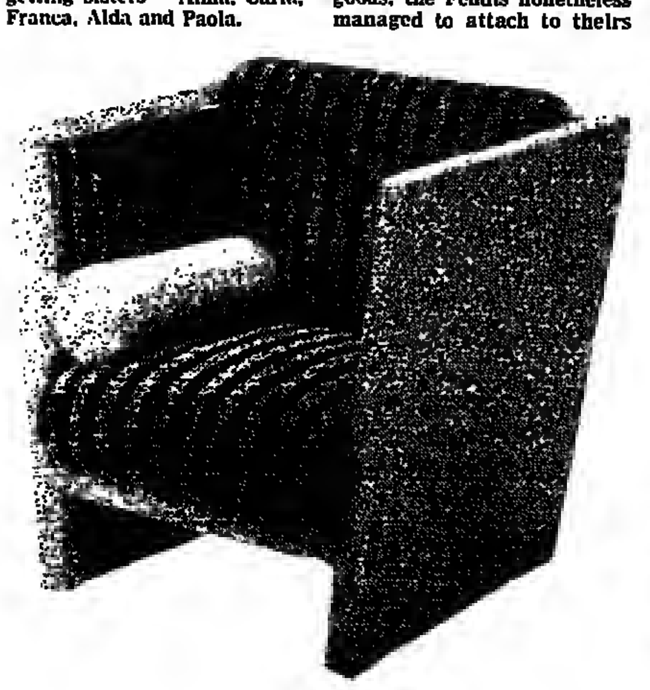
Though today the idea of abandoning stiff upholstery in favour of loose draped fabrics may seem old-hat, when Fendi first launched it in 1988 it was quite new in its field. The notion that very expensive furniture might borrow from the slightly Bohemian aesthetic of the Hippy seemed, at the time, quite revolutionary.

Instead of taking the Indian bedspread or the Bedouin rug, however, Fendi has taken severely striped fabric and used it to drape sofas, cover tahles, npholster steamer chairs, directors' chairs and folding tables. The effect is nonchalant and offers the sort of furniture that could fit into almost any home from the formal to the most laid-back.

Though Fendi Casa has been around for a little while in Italy, it is only for the first time becoming available in the UK. It is on sale, exclusively to order, through Charles Page, 61 Fairfax Road, Swiss Cottage, London NW6 4EE (tel: 071-328 9851).

In the shop there are a few examples of the range to be seen and tested as well as samples of the whole fnbric range. Every piece of furniture can be covered in any of the fabrics.

Prices are not low – fine leather and high-quality fabrics are used throughout. Domiziana, for instance, the chair photographed, costs £1,435, while the Farnese *range of chairs and sofas run* at abont £965 for a single chair, £1,930 for the two-seater sofa and £3,050 for a three-seater sofa.



☐ Above: Domiziana – a chair costing £1,435.
☐ Right: the Farnese range – £1,930 for the two-seater sofa and £3,050 for the three-seater sofa

FOOD AND DRINK

Beautiful Swiss wines to yodel about

*'Come downstairs and I'll show you my concentrator.' **Jancis Robinson** uncovers the secrets of some fine wines made in minute quantities*

If you go to the trouble of tracking down a bevy of beautiful wines made in minute quantities with impeccable fastidiousness in a building that looks like a Swiss cowshed, you expect an exclusive story. But the longer I spent with Daniel Gantenbeln, the more I realised I was treading in the footsteps of wine luminaries by the score.

Paul Draper, master winemaker of California's Ridge Vineyards, bad apparently visited Daniel in this corner of eastern Switzerland last summer. The pair communicated in Italian, familiar to Daniel from his holidays in Piedmont (he rents a small vineyard to Elio Altare).

Gantenbein wines may be difficult to track down, even in Zurich, a few miles to the north-west, but they can be found on the list at Piedmont's famous Da Guido restaurant, as well as in the more notable local restaurants, and those immediately north in Liechtenstein. They may also try to export to the US.

When I raved about the quality of his Riesling-Sylvaner 1992, I was told that that was the wine of which Ernst Loosen, whizzkid of the Mosel, had ordered a case.

And in Daniel's personal wine cellar, hollowed out of the slate underpinning his native village of Fläsch, were all tbe names one would wish for oneself: Bordeaux's great names, Ponsot 1990 red burgundies, a tranche of Domaine de la Romanée-Conti, Guigal, Ridge, and a gaggle of bottles from the Mosel's Grosse Ring aristocracy.

Daniel is the only producer of the Grosse Ring's own raw material in his area. "For me Riesling, with Chardonnay, is *the* white grape variety."

This small wine region in eastern, German-speaking Switzerland is the vinous heart of Graubünden canton, the Herrschaft, which produces predominantly simple, sweetish Blauburgunder (the Pinot Noir of Burgundy, of which the Mariafeld clone is widely revered here) together with Alsace's white grape varieties, Müller-Thurgau and Completer, an eye-watering local curiosity.

The local market (truly local; the wines are almost unknown in French-speaking Switzerland) sustains relatively high prices here. Vines are planted amid pasture and all sorts of crops, but viticulture is tha most profitable agricultural activity in this dramatically beautiful corner of Switzerland, through which thousands of skiers hurtle each weekend *en route* for Klosters and Davos.

The twinkling, energetic Daniel was, until relatively recently a mechanic, and is still a meticulous craftsman, whether in winemaking or restoring his ancient farmhouse. After his wife, Martha, had qualified in viticulture, he studied winemaking, botb at the local wine school in Wädenswil and nosing around producers he admires.

Since 1980 they have farmed a just-manageable total of four hectares (10 acres) of vines, on well-exposed slopes below a vertiginous cliff face that leads the way to the Vorarlberg. The land is dissected by narrow open lanes, a tractor wide.

Why are Gantenbein wines such a discernible cut above the rest? There is his infatuation with, and exposure to, the fine wines of the world (last year be and some friends had organised a wine tasting which culminated in an 1899 Montrachet).

There is also his practical determination to get things right, bottling, for example, much later than most. The Herrschaft is currently in the grip of barrique worship, not always to the benefit of the resulting wines.

Daniel has filled every corner of his winery with top quality French oak casks, but he experimanted before deciding that double-sized barriques give the right wood-to-fruit ratio for his grapes.

And then there are, of course, the grapes, and, perhaps most importantly, the low yields encouraged by Martha in the vineyard, much lower than the Swiss norm.

Gantenbein Blauburgunder tastes like serious red wine with a future, the product of a minimal intervention winemaking policy.

It is not surprising that it commands a 50 per cent premium on the going rate for the region of SFr12 (£5.60) per bottle.

But the much rarer white wines are possibly even more distinguished. Daniel's Weissburgunder 1990 was picked with a potential alcohol level of 13 per cent and was fermented cool and long – "just long enough to make people angry". It is probably the best Pinot Blanc I have yet tasted.

Perhaps it is inevitable that Daniel makes a Chardonnay (SFr25 a bottle) but so does the rest of the world.

But no one else I know makes a rich, red wine like the mystery he produced at the end of my tasting in his house.

It was very dark and dramatically concentrated, with lovely spicy fruit. Because we had been discussing the new concentrators that are heing employed in Bordeaux to make claret more intense, I half-seriously suggested that this was the product of a coocentrator.

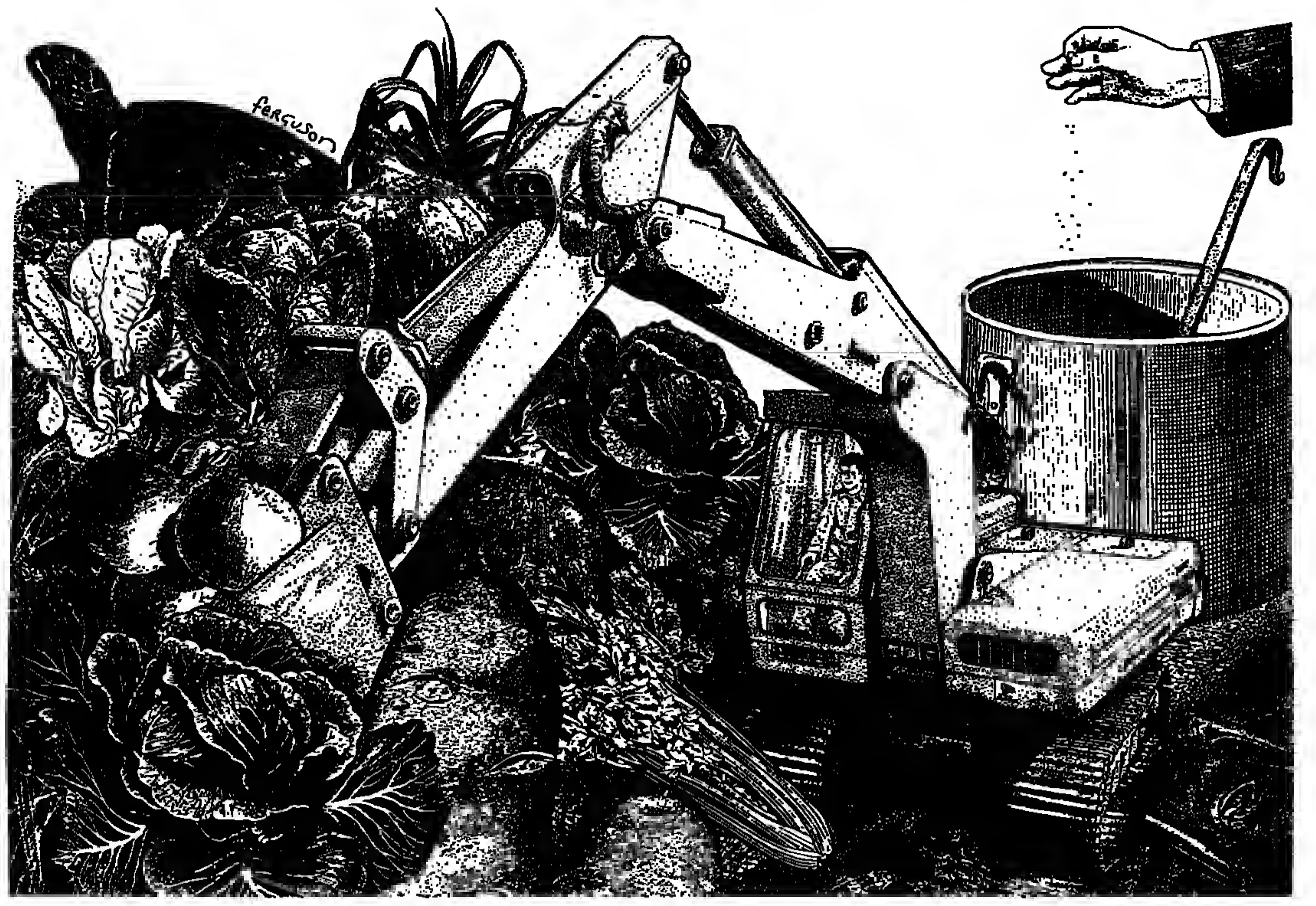
His eyes lit up. "Come downstairs and I'll show yoo my conceotrator," he smiled, scampering down a dark staircase to a whitewasbed chamber, windows opeo to the village street.

Here were stacked wooden fruit boxes full of Pinot Noir grapes drying and sweetening, in imitation of the Italian passito technique used to produce Recioto and Amarone.

This extraordinary hybrid of a wine sells at auction for more than SFr200 a half bottle, which must go some way towards subsidising the Ponsots resting quietly oext door.

Cookery/**Philippa Davenport**

Qu'ils mangent de la brioche



Europe has a tradition of bread soups. Only in Britain have they been gentrified out of recognition

No food is more *fundamental* in the west than bread. Those wbo go out to work are breadwinners. Lose your job and you may be on the breadline. Give us this day our daily bread, we pray.

Bread was the trencher on which other foods were served before dinner plates were commonplace. Tbe ricb wbo feasted on meat may have fancied their hread soaked in gravy but etiquette demanded that they left their trenchers uneaten. That way the hread might be given to feed the less fortunate.

For centuries hread was a mainstay of meals for the majority. And it remains important in the thriftier corners of Europe where traditional bread soups and hread salads are much in evidence.

Bread soups consist basically of bread and water plus a little of whatever local produce is plentiful and cheap. Hard rations you may say. Certainly sucb fare must seem monotonous if you have no cboice but to eat it week in week out. But, for those of us wbo can dip into bread soups just occasionally – like Marie Antoinette playing at milkmaids – few foods seem more satisfying and soothing.

Bread soups are basic and highly practical. Amazingly speedy one pot dishes – non-cook cooking – they are just rigbt for the tired, the busy and the culinarily inept. Conjuring substantial comfort from very little they come to the rescue when Mother Hubbard's cupboard is bare and the bouskeeping budget reacbes rock bottom. More than that they can be utterly delicious, the individual flavours of an area giving eacb soup its territorial character, while plenty of soaked and swollen hread provides solid sustenance.

In Tuscany I will bappily eat Pappa col Pomodoro for several days oo the trot: tomatoes, garlic, basil, olive oil and water simmered fruitily and thickened with generous chunks of bread to make a pappy pink porridge. Alas this lovely bread soup does not travel well, rich vine-ripened tomatoes being beyond British reach.

Much easier to reproduce here is Mourtairol from south west France. For two people scald three ladles of pure rich chicken hroth and enrich it with a pinch of saffron. Add a few meaty chicken scraps taken from the wings if you are feeling indulgent, or a little snipped parsley, and pour the mixture slowly over 3oz of stale, roughly torn country hread encouraging the crumb to sop up as much of the flavoursome liquid as it can hold.

From the same region hut simpler is Tourin. This consists of onions fried in duck or goose fat, seasoned and stewed in water, then poured over slices of bread, usually with the addition of an egg or two. When all the solids have been eaten and little liquid remains in the soup bowl, the spoon is laid down, a slurp of wine or something stronger is added to the bowl, and the remnants are drunk in one lively swig. Shades of the onion soup of porters at Les Halles, served complete with heartwarming rafts of cheese topped bread and *petit trou*.

Spain hrings us Gazpacho. Today it is often tarted up with a stream of extravagant garnishes. The original peasant dish would have consisted of little more tban cooling draughts of water made fragrant with a few crushed tomatoes, a little cucumber, garlic and crusts of bread. Much more refreshing.

In Portugal, where 20th century sophistication seems to have made relatively little impact on home cooking, traditional country dishes that major on bread still abound and a love of *acordas* and *migas* remains widespread.

Acorda Alentejana, which may or may not include eggs, is a great favourite. To serve two people, crusb 2 garlic cloves with ½ teaspoon salt and soften them hriefly in 1½ tahlespoons olive oil. Season with pepper and 2 tablespoons chopped green coriander. Pour on 1pt water, bring to a hrisk boil and poach 2 eggs in it if wished. Ladle the aromatic liquid over a scant 3 oz bread broken into rough chunks. Add the eggs and sprinkle on another tablespoon eacb of olive oil and chopped green coriander.

Even the Swiss still serve a traditional bread soup: a few roots and leeks sliced, sweated and stewed in water until soft, thickened to a porridge with hefty chunks of hread and finished with a grating of cheese.

Only in Britain do bread soups seem to have been gentrified out of all recognition, the hread reduced from central component to genteel garnish. The most hready offering you are likely to get here is a modest spoonful of tiny, neatly diced fried hread croutons scattered over a light cream of vegetable soup. Hardly substantial enough to keep up the strength of a two year old.

I have, though, come across East Anglian references to something called Suffolk Kettle Sop. Consisting simply of broken bread, a knob of butter, salt and pepper with hoiling water poured over, this is said to cure a sore throat if drunk in bed. More medicinal than pleasurable?

Elsewhere there are mentions of an ancient Cornisb bread soup known variously as Kettle or Kiddley Broth. Made with a little onion cooked in butter or dripping or with a few rashers of streaky bacon, then stewed with plenty of water (and sometimes a splasb of vinegar), additionally flavoured with marigold petals in ooe version, and poured over squares of stale bread for serving, this sounded more promising than the Suffolk cough remedy. I tried it but was uncharmed.

It struck me then that, given Cornwall's coastline, seafood migbt make an appropriate alternative to fat bacon. So I adapted the manuscript version of the recipe to suit my own whims. The resulting soup lacks historical accuracy of course but it tastes pretty good.

To make My Kiddley Broth for two people, first cbop a sballot or two (or half a small onion) and sweat it for 5 minutes in 2 tablespoons butter or olive oil. Add 1 teaspoon white wine or tarragon vinegar and let it hubble up vigorously.

Add ¼ teaspoon salt, 2 tablespoons chopped flat leaf parsley (or better still coriander leaves) and 1 pt water. Bring to the boil and boil for 2-3 minutes.

Add ¾lb cleaned mussels, cover and cook briefly until opened. Lift the cooked mussels from the broth and half-sbell tbem, shell them completely, or leave them as they are, as you wish. Then mix them with 3oz good quality, roughly torn bread and spoon the hroth (but not any sandy mussel sediment) over them.

Britain is of course meat-rich dairy country and we are notoriously sweet-toothed. So it is hardly surprising to discover that, whereas other countries used their loaves to make substantial water-based soups, we generally preferred to dunk our stale bread in milk to make puddings.

Our recipe books are jampacked with examples of this kind. Think of queen of puddings, quaking pudding, bread and butter pudding, brown bread ice cream, charlottes and ambers, summer pudding, treacle tart, poor man's bakewell, and the use of breadcrumbs instead of flour for superior steamed sponges.

I can think of only one traditional savoury way with stale bread that has survived here. Bread Sauce, made with creamy milk and butter, flavoured with onion and cloves, thickened to a porridge with stale grated crumbs, is probably as popular now with roasted poultry and game birds as it was in the middle ages when crumb-thickened, rather than roux based sauces, were the norm.

Then there is the sweet equivalent of hread sauce: bread and milk, once a nursery favourite but largely forgotten today except for feeding pet bedgebogs. What a shame. I loved it as a child and I love it now, a basic inelegant version of bread and hutter pudding but even more comforting by virtue of its instant, effortless preparation. It is the cure-all I turn to gratefully when low in spirits or poor in health, wben bed, a good book and a hot water bottle beckon. Or I will eat it for breakfast on a cold morning. Any excuse *will* do.

For Bread and Milk for 1-2 people, depending on the degree of comfort needed, hreak 3oz or so of *chollah, brioche* or other enriched white hread into pieces. Plain white hread will do at a pinch hut bread and milk sbould be a treat. Butter tbe hread and sprinkle it with pinches of ground cinnamon. Add smears of honey if yon like and put the bread into a bowl or bowls. Scald ¾-1pt Jersey milk with a shake of pure vanilla extract, sweeten it with 2 teaspoons vanilla sugar (or slightly less if houey is used) and add an optional teaspoon of brandy. Pour the flavoured milk over the bread and stir until the crumb sponges up and the hutter is melted.

Appetisers/**Jill James**

A collector's menu

Judging by the interest sbown in the sale of the late Elizabeth David's kitcben contents and books, a lot more people are becoming interested in the history of food and drink.

To answer this demand Liz Seeber and her Austrian husband, Gerd, have set np Antiquarian Cookery Books at their home in south London.

Liz Seeber bad the idea for the company when she inherited a library of 7,000 books in the US. She had to auction the hulk of them and was only able to bring back abont 1,200 of the most interesting and valuable to Britain – but the book hog had bitten.

Haviog spent most of her life in pnblishing – she is a keen book collector and amateur cook – Seeber feels that now is the time to have some fun by turning her hobby into an occupation.

If, for example, yon are interested in buying Hannah Glasse's *The Art of Cookery*, then Seeber has a couple of editions – including one printed in London in 1796 for six shillings – at £175 each.

An early Isabella Beeton's *The Book of Household Management* (Ward, Lock and Tyler), is priced at £110 and, for those who missed out on the Elizabeth David memorabilia auction, a first edition of *English Bread and Yeast cookery*, possihly David's best and most scbolarly book, is available in good condition for £35.

Do not think yon have to fork ont a fortune on early English cookery books – prices start as low as £5 or £6 and cover many national cuisines. And there are some quirky little bargains in the list – Norman Douglas's *Venus in the Kitchen* (Heinemann) is a mere £15 for the 1952 first edition.

Drinkers need not feel left ont – first editions ranging from Hugh Johnson's 1971 The World Atlas of Wine (£25) and André L Simon's *The Commonsense of Wine* (£6.50) are listed.

■ A catalogue giving the prices, illustrators, publishers and detailed condition of each book can be obtained free from Liz Seeber, Antiquarian Cookery Books, 10 The Plantation, London, SE3 OAB. Tel: 081-852-7807. Fax:081-318-4675.

Business is mainly by mail order but visitors are welcome by appointment.

PROPERTY

For lovers who can tryst the night away

***Gerald Cadogan** suggests some discreet meeting places*

The distinguished, silver-haired man, accompanied by a beautiful young woman, entered the Kensington office of a well-known estate agent. It was December 19. "We're looking for a small flat," he said. "What can you show us?"

At the fourth one, she put her arm through his and said: "Darling, I'd love this." He turned to the agent and offered almost the full asking price. Then, he took the agent into a corner. "I'd like to give it to her for Christmas."

That same day, the senior partner of a smart London legal firm telephoned to confirm the deal and contracts were exchanged on December 23 – to the delight of agent and vendor, who had achieved an excellent sale, and presumably to the joy of the pair ensconced in their "love nest".

The term appears to date from 1919 when the *Oxford English Dictionary* defined it as "a secluded retreat for (esp. illicit) lovers". But the idea must be as old as adultery – somewhere discreet to park the mistress or toy-boy for surreptitious visits. (Rumour had it that this once used to be a special function of the cream-stuccoed villas in St John's Wood, London.)

Such a place is not for couples living together day by day, even if they are not married. Either one lover lives there all the time, courtesy of the richer (and usually older) partner. Or they meet there only for trysts. Such people make ideal residents. They pay promptly, are generous to the cleaning woman or housekeeper, and do not punish the place with the wear and tear of permanent occupancy.

In the country, it is hard not to be seen conducting an illicit romance, but London has plenty of discreet properties. And the love nests are not always where you would expect.

At one house in Kensington, west London, the man installed his mistress next door to himself and his wife. He then knocked a hole in the party wall and had a door fitted – in the back of the mistress's bedroom cupboard.

So where to go? Always quiet, Mayfair is a good meeting ground, as former government ministers can reveal. 24 Hays Mews, W1, is a pretty city cottage with one bedroom, ideal as a *pied-à-terre* in town that doubles as a trysting place. Wetherell offers a 56-year lease for £197,500.

For £159,000: a converted coach house in Crescent Grove, London SW4

More useful still might be 21a Brick Street, W1: £225,000 freehold from Chestertons Residential. It is tucked away in a mews behind the Park Lane Hotel and has a garage for a quick getaway (or to hide the car from *paparazzi* who know the number).

On the other hand, Vivien Thompson, of buying agent Property Vision, points out the advantages of buying a small flat in a grand block. Assuming a reasonable price, such a property can have all the advantages of a central location plus porters to keep watch when you are not there.

MPs are often on the lookout for such a place, as they cannot afford to be too far from parliament. But the problem is finding something close enough to reach the House in time to vote after the division bell installed in the flat rings – especially if there is a need to dress first.

After all, there are only eight minutes from calling a division to locking the lobby doors, and the traffic jams in central London are legendary. Walking or bicycling seem to be the answer.

If there is nothing available in Smith Square, Lord North Street and Strutton Ground to the south and west of parliament, go north. 71a Whitehall Court, SW1, is a one-bedroom flat in a large block with porterage which meets Thompson's criteria admirably. Knight Frank & Rutley offers a 34-year lease for £195,000.

For £225,000: 21a Brick Street, tucked away behind the Park Lane Hotel

Belgravia, Kensington and Chelsea are also too far for a quick dash to the Palace of Westminster although they have plenty of small flats with one and two bedrooms. Strutt & Parker has a good selection.

The 22-year lease outstanding on 64 Pont Street, SW1 (price £138,000) should outlast any romance. And £100,000 buys a fourth-floor flat at 4 Sloane Gardens, SW1.

But the best place of all "to sin with Elinor Glyn/On a tiger skin – Or would you prefer/To err with her/On some other kind of fur?" is the huge studio/drawing room of 49 Lyall Mews, SW1 which costs £1.15m for a 44-year lease from Lassmans. Cheaper, at £179,000 from Foxtons, is a New York-style loft flat in Cromwell Road, SW3.

If your love is on the periphery of central London, take your pick of 1 Glentham Cottages, SW13, next to the playing fields of St Paul's School (Dixon Porter, £120,000), or Crescent Grove, SW4, a converted coach house near Clapham Common, convenient for the Underground station and with a walled garden for maximum privacy (Winkworth in Battersea, £159,000).

On the north side of the Thames, Rio Cottage in Grosvenor Road, SW1, could not be in a more romantic setting and has just been sold for £275,000 from Winkworth, in Pimlico.

The original asking price was £345,000. It is the refurbished old cottage of the gatekeeper who controlled the sluices where the Tyburn (better known uphill at Marble Arch) ran into the Thames.

The Tyburn is now in a tunnel and the house sits on top of this, with all the back windows looking out on to the Thames.

And you might also think of England in a flat in the main turret of the Gothic Royal Victoria Patriotic Building, SW18 (to rent from the same agent for £500 a week). There is a secret entrance from a self-contained "nanny" flat to the "study", and three exits – but now we are talking French farce.

■ *Further information: Chestertons Residential (071-629-4513); Dixon Porter (081-878-2323); Foxtons (071-370-4533); Knight Frank & Rutley (071-629-8171); Lassmans (071-499-3434); Wetherell (071-493-6935); Winkworth, Battersea (071-828-9265) and Pimlico (071-828-1786).*

Cadogan's Place

Setback for Heseltine

Early in the 1980s Michael Heseltine, then environment secretary, started the programme which has brought the total of listed buildings in England to almost 500,000. Now, wearing another hat as squire of Thenford, Northamptonshire, he has come a cropper with the listing regulations. South Northamptonshire Council has refused him listed building consent for alterations to a cottage he owns in the village.

The roof and the windows are what stymied him. While the cottage now has a slate roof, it is clear that, originally, it did have thatch. Heseltine wants to put this back – but he proposed using Norfolk reed, which is not regarded as the right material for the vernacular architecture of the area.

The local product is long straw which makes a rather wispy, shaggy roof – but this is now difficult to find. A possible alternative is combed wheat, which is neater but still not quite correct.

As for the windows, he planned to install sealed, double-glazed units. These may conserve heat but, again, they are inappropriate.

Such decisions about details are not easy for local councils although they are crucial for maintaining the character of an area. In any case, since the council's decision, Heseltine has re-applied for consent and proposes to keep the slate roof.

□□□

A glorious Queen Anne house, listed grade I, comes up for auction on Monday afternoon at the Berkeley Hotel, London SW1.

Hinwick House, in Bedfordshire, has been in the Orlebar family since Richard Orlebar built it between 1709 and 1713. The architect was probably James Hunt of Northampton, who is said to have been a pupil of Grinling Gibbons, the wood-carver and sculptor.

As with the sale of Brympton d'Evercy in Somerset in 1992, money – or rather lack of it – is the reason for the sale. The house comes with several listed outbuildings plus a park, a lake and woods – 35 acres in all. Also included are five tapestries, 13 bedrooms and a four-seater lavatory.

I remember visiting Hinwick 20 years ago when it was open to the public. We were the first group to arrive on a Sunday afternoon when the family was sitting sleepily around the television. As we came in, they threw a cloth over the machine – which carried on all the same – as if it were a parrot.

Joint auctioneers Savills (071-499 8644) and Allsop (071-494 3686) suggest a guide price of £425,000-£475,000. Bidders should have a banker's draft or solicitor's cheque for at least £40,000.

□□□

In France only lawyers can bid in such forced sales, and they must also arrive with a certified cheque. Chartered surveyor Armstrong McCrea, in Monte Carlo, bought a villa at Grasse last week with two guest houses, two tennis courts and a swimming pool. It used to be rented by "Baby Doc" Duvalier, son of Haiti's infamous dictator, and was on sale privately last year for £1.5m.

French auctions receive little publicity – just three brief visits in the company of the bailiff before bidding. The house went for £450,000, most attractive to the buyer but probably less so to the French tax collectors, who had foreclosed. More often, it is the bank that is the vendor.

Armstrong McCrea (33-93 50 71 97) runs a Riviera Vulture Fund to look for similarly unusual chances to buy on the Côte d'Azur.

G.C.

English flowers in a class of their own

*Trying to impress a great foreign botanist, **Robin Lane Fox** finds a sight worth the journey from St Petersburg*

March is behaving madly, which makes life difficult for show-offs. Where do yon take visitors if you want to impress them with English flowers at their best?

I have just faced this difficulty. I have been trying to impress a great foreign botanist – oot any old European dignitary but one of the senior plant scientists from Russia, who has seen more fruit trees than you or I would recognise and knows every botanic garden from the Caucasus to Vladivostock. A few drifts of narcissus Cragford in long grass would not make the right impression.

As usual, this early spring is split between towns witb clouds of early blossom and a countryside which has yet to see an anemone in flower. Acid soil and shelter have burried along the camellias, but where are Cornwall-like habitats within easy reach of Oxford?

The answer, this weekend, is at the Savill gardens in Windsor Great Park, where spring breaks early oo a sheltered site. Would it have hrokeo already, I wondered. The persoo at the end of the telephone assured me she could see daffodils the last time sbe managed to escape from ber paperwork.

Vladimir was expecting great things: cravenly, I threw in sucb sweeteoers as the promise of seeing Windsor castle, royalty at prayer, and a guided tour round Eton college – the pinnacle, I apologised, of the English class system. If the camellias failed, we could fall back on boys in tailcoats and guesses about Princess Margaret's bedroom.

Perhaps it was the promise of narcissi, perhaps it was the class struggle. But, when we set off, the plan already had a Russian stamp of approval because two passengers bad become five: Vladimir brought along some extra friends to keep up the numbers.

They had much to teach me, some of which will enliven this column in future: a post-Stalinist exclusive for the pink *FT*. Meanwhile, I learnt thet there are great rose beds in the botanic gardens st Yalta; thousands of roses have been planted down the streets of major Ukrainian towns; and there are vast orchards of scientific collections around Vladivostock.

To seal an agreement of collaboration, I oow have bushes of blackcurrants (with names such as Delight of Lenin) which have been planted in that last lingering ash-bed of communism, the gardens of my Oxford college.

On the road to Windsor, Vladimir wanted to tell me about great cherries which be had visited; one friend wanted to interpret; another wished to tell all of us (in Russian) about tbe latest political changes; and the fourth harangued me on her understanding of relations between ancient Persia and Greece. Schizophrenically, I wondered if the Savill gardens would rise to the occasion, or if we would peter out in snapshots of Etoo's school yard.

There is no knowing at the turnstile: the gardens are entered through an extraordinarily ugly gift shop which blots out the style which the late Eric Savill tried to achieve. The famous meadow beneath it has Britain's finest sweep of the small Hoop Petticoat daffodils which revel in the damp. A few dozen were visible, and so I improvised about the millions which were waiting to emerge. What impressed my convoy most was the meadow's similarity to the sort of steppe they see in Russia every day.

Beyond the future narcissi, the white-flowered osmanthus delavayi is flowering freely, but it did not attract comment. The first rhododendrons were bettsr, including the aptly-named Rsdwing: ths big bushes of the Falconieri variety looked wonderful to ms, but less wonderful to those in the party who had seen them wild in Bhutan. I was beginning to think it was time for St George's chapel and the royal dolls' house when we roumded the path to the garden's furthest dell and my guiding anxieties all passed away.

Go and see it if your own gardens are still emerging from winter. Huge bushes of all the various corylopsis are smothered in the yellow bell-flowers which never appear on my soil and old, hybrid camellias are tangled into a flowering archway where names sucb as Inspiration are entwined with Salutation. The rhododendrons are not overpowering and the trunks of the birches are beautifully white.

Out in the clearing, to the right of a pile of drainpipes, stands a sight worth the journey from St Petersburg. The small cyclamen-flowered narcissi are already flowering by the thousand in the wet conditions which their tubular flowers require. Above them stands a tree of a special magnolia sprengeri, its hundreds of white and reddisb flowers opening flat in the spring sunshine. They bear the name of Savill, who made this garden out of unused parkland.

Colin Beere

Savill gardens in Windsor Great Park, where spring breaks early on a sheltered site

You and I are unlikely to have the soil, or the years of patience, to grow e magnolia to this size. Visit it instead – and reflect on the appropriate chance that it was open to welcome St Petersburg's leading botanist on a visit which could never have been considered when the tree was first put in place.

We admired the crocuses and felt at home among the Chinese azaleas. By the time we moved on, it did not seem to matter that the state apartments were closed and there was scope only for a snapshot of Windsor castle's towers. The Etonian boys were viewed with wonderment and the buildings made my visitors feel expressively pro-British.

Magnolias, it seems, are stronger than Marxism and, wben we left, we all felt we had seen something to provide a special memory – one that is greater than any particular country and common to anyone who responds to flowers. This weekend, those flowers should still be holding and the gardens will have even more to show. You do not need a foreign delegation to persuade yourself that the journey is a justified pleasure on its own terms.

Fishing/Tom Fort

Fine chub save the day

I was toiling at my desk – or rather staring into mid-air with the end of my pen in my mouth – when a thought struck me. It was not a thought conducive to completing the tedious task on which I was engaged. But it was one of those thoughts which demands immediate action – like the realisation that you have forgotten your mother's birthday or left the garden hose running.

It was that if I did not go fishing immediately, I would have no further opportunity before the coarse fishing season closed in a few days. Outside the sun was shining, the birds were chirruping, the daffodils were just blooming, and the river – in my mind's eye – was running clear and sparkling.

An internal debate between duty and inclination was brief, and within the hour I was by the water.

I had decided that I would catch perch to begin with, spinning; then one or two of the sizeable roach which had long elnded me, on floatfished bread; and finally a hard-fighting barbel of seven or eight pounds, on a helping of Sainsbury's breakfast slice, which I had been assured was the barbel bait of the moment.

At 5pm – with an hour of daylight on my last fishing day remaining – I had caught neither perch, nor roach, nor barbel, nor anything slse. What is more, I had endured a series of trifling misfortunes. I confess that some of these were self-inflicted. It was absurd to believe that I could successfully flit from species to species, and method to method. I should have identified one target, and gone for it. And I should have remembered to bring a stool to sit on, and not relied on the ground – for a damp backside in chill March is no laughing matter.

On the question of my wet feet, I am prepared to accept some of the blame. I knew that my right gumboot had a leak, and was careful to keep it out of the water. But how was I to know that the left one had developed a gash as if attacked by a maniac with a butcher's knife? I soon found out.

All right, I should have been alert enough to prevent Bertie the spaniel stealing half the packet of breakfast slice: and I should not have been so careless as to cast into the upper branches of the alder opposite.

As yon may have gathered by now, the idyllic quality of the day as I had imagined it had departed. All these inci-

dental irritations would have been negligible, if I could have caught something. This is what most aggrieved me – the obstinate, unreasoning refusal of the fish to bite. As the evening drew in, so my frown grew deeper.

Then I had another thought. I should be after fish that were permanently bungry. That meant chub. Only the chub could save me.

I hastened to the millpool below the house. And there, on the remains of the breakfast slice, I caught five fine, fat chub. The bites were bold, the fights in the foaming water strong and satisfying. I applied myself intently and intelligently, and all the fondness for the chub that I had had as a boy – as a fish which could be depended on – returned.

The last was the best, e good 4lb. As I slid the net beneath its gleaming, silver flanks, I murmured my appreciation for the inspiration which had come to me that morning – and for a day redeemed from disaster.

Gaia the earth goddess makes a comeback

***Bridget Bloom** picks her way through the latest crop of gardening books*

Heve you heard of Gaia? You have, of course, if you had a classical education. But today, classical education or not, if you believe in gardening organically – that is withont chemicals and in a manner in tune with nature – you may be a Gaian devotee.

Gaia is the ancient Greek goddess of the earth who is, it seems, making an important comeback according to *The Natural Garden Book* by Peter Harper and others, (Gaia Books, £18.99, 287 pages). The "nub of the Gaia bypothesis... is that the biosphere is a complex system so closely analogous to a living organism that we might as well regard it as one."

Gaia, we learn, is three billion billion years old, probably immortal, self-regulating like any living thing and capable of self repair eveo from severe damage. It – or is it she – is also capahle of recycling its own waste while being "powered by the sun and profoundly influenced by the moon".

In other words Gaia seems to be Nature itself and it is the contention of the authors of *The Natural Gardening Book* thet, since each of our gardens is "a little piece of Gaia" and each of those pieces is a microcosm of the whole, it behoves us to garden in sympathy with Gaian rules.

Mumbo jumbo? Or no more than flavour of the moment, given the high political profile of sustainable development? You scoff at your peril, says Geoff Hamilton, one of Britain's foremost organic gardeners, wbose chemical-free veg and flower beds are regularly seen by 5m telsvision viewers. He writes in his introduction: "There are plenty of books about natural gardening, but none, I'm sure, that so clearly and comprshensively explains not only the tecbniques that will ensure chemical-free success but also the logic and the philosopby behind the ethic of natural gardening."

I must say I found the book fascinating. This is partly because of the different methods of gardening it recommends – although some of these, such as using your own urine to speed up compost making, are challenging – but mainly because of the more respectful attitude it encourages one to take towards the garden and its huge array of plant, animal and insect life.

A more pedestrian, although admirably clear and well-illustrated guide to organic gardening is to be found in *Gardening Naturally* by Ann Reilly (Prion, £14.95, 192 pages). An American writer, Reilly takes a hands-on approach, beginning with ways to condition the soil and proceeding through insect and pest control to chapters on which flowers, herbs and vegetables to grow and how.

If you are at all serious about growing vegetables, however, yon should also know about *The Vegetable Finder*, a handbook analogous to the admirable *The Plant Finder* in that it aims to tell you where in the UK to buy a vast variety of vegetable seeds.

It is produced and published by the Henry Doubleday Research Association, one of Europe's premier organic establishments (£5.99, 296 pages, distributed by Moorland Publishing at Ashbourne, Derbyshire DA6 IHD.)

The Vegetable Finder is doing its bit for bio-diversity by listing nearly 3,000 varieties of vegetables.

Two more books witb an organic flavour are David Bellamy's *Blooming Bellamy* (£15.99, BBC Books) an enthusiastic, nicely-illustrated work on herbs and herbal healing. There is also a rather curious item bearing Geoff Hamilton's name and entitled *Gardener's Challenge* (Kingfisher Books, £9.99, 144 pages). The publisher's blurb describes it as a test of general gardening knowledge with more than 1,000 gardening questions (and answers). Designed, perhaps, to help the quiz-minded gardener while away the non-gardening months of the year.

With similar activity in mind, I confess to having bought and given away at Christmas several copies of another slim volume published last year. *Gardener's Latin*, a lexicon by Bill Neal (Robert Hale, £6.99, 136 pages) is a book for the gardener who has most things (except perhaps a classical education) and who likes to browse, discovering as he goes that while cyaneus means dark blue, cyananthus means with dark blue flowers and cyanocarpus means bearing blue fruits.

Bnt now to something grander. Challenged to name two dozen of the major gardens created this century, most experts would probably inclnde Hidcote, in Gloucestershire, designed by Lawrence Johnstone from 1907 and now managed by The National Trust.

They might well also list Lutyens' Viceregal Garden in New Delhi and perhaps Dumbarton Oaks in Washington and the Governor's Palace in colonial Williamsburg, designed respectively by Beatrix Jones Farrand and Arthur A Shurcliff.

But what about the Woodland Cemetery just outside Stockholm, designed by Gunnar Asplund to take advantage of "the pale Swedish light punctuated by tall, dark pine trees" or the 125-acre site once the home of the central abattoir for Paris, now becoming tha Parc de la Villette with Bernard Tschumi's "glistening red surfaces of individual steel cubes" as its centrepiece?

William Howard Adams' impressive tome, *Grounds for Change: Major Gardens of the Twentieth Century* (Little, Brown and Company, 216 pages, $60) is itself conceived on the grand scale.

"Of all the arts – painting, sculpture, music, architecture, dance, theater, even that arriviste, photography – only landscape design has been denied an account of its history and achievements produced in the 20th century." Adams plots just those achievements, from the early struggle between the Formal and the Natural philosophies of garden and landscape design (the two are often seen as synonymous) to the more recent post-Modern efforts to integrate technology and its shapes into landscape design. He describes his 24 chosen gardens in often fascinating detail with some striking photographs by Everett H Scott.

Next come two very grand books indeed. Heather Angel's *Kew: A World of Plants* (Collins and Brown, £20, 160 pages) which was published last year and *Trees of Ireland – Native and Naturalised*, by E Charles Nelson and Wendy F Walsh (Lilliput Press, Dublin, 240 pages).

The first is an upmarket guide to the Royal Botanic Gardens, at Kew, Surrey, which has one of the largest collections of living plants anywhere, from habitats as diverse as tropical forests, deserts, coral reefs and the temperate zones. The pictures, as one might expect from one of the UK's top nature photographers, are very fine.

Trees of Ireland, with line drawings and watercolours, not photographs, is an slegant reference book which could well, as its publishers say, appeal to the gardener, ecologist, artist and dendrophile alike.

And so to gardens not included in Adams' book, which form the subject of two other recently published books: Christopher Lloyd's *In My Garden* (Bloomsbury, £16.99, 277 pages) and Mirabel Osler's *The Secret Gardens of France* (Pavilion, £16.99, 158 pages).

Lloyd's famous gardsn, designed by Sir Edwin Lutyens for his father Nathaniel Lloyd, is at Great Dixter in Sussex. Lloyd himself is a respected garden writer and this latest work is an anthology celebrating 30 years of his gardening column in *Country Life*. The pieces are grouped month by month; they are chatty, informative and definitely for dipping into, although Lloyd's highly personal style may not be for everyone.

Osler's book, too, is for dipping, perhaps when travelling in or planning to visit France. *She has strong opinions*, but is knowledgeable and enthusiastic about her subject.

Finally, since spring is upon us, are thres no-nonsense, hands-on guides to gardening from the Royal Horticultural Society at Wisley. Each is priced at £13.99 (Cassell, 256 pages) and eacb brings together three or four of the RHS's earlier handbooks. The new books are entitled *Making a Small Garden, Courtyard and Terrace Gardens* and *Planting Your Garden* – the latter including the earlier handbook by Christopher Lloyd on *The Mixed Border*.

With his best Foot forward

***Malcolm Rutherford** reviews a new biography of the man who held the Labour Party together*

When he retired as a Member of Parliament in 1992, Michael Foot declined to go to the House of Lords on the entirely rational ground that he had always said the place should be abolished. More surprising, and far more regrettable, was his decision not to write his memoirs.

The task of producing his biography was taken on by Mervyn Jones, an old journalist friend, author of many novels and broadly a political soul-mate. Jones has risen manfully to the challenge. The published version of his book runs to 570 pages; the full version has been placed with the Museum of Labour History in Manchester.

MICHAEL FOOT
by Mervyn Jones
Victor Gollancz £20, 570 pages

One may ask, however, whether this is the right way to go about it. Apart from the biography, Jones has provided a potted history of the events leading to the second world war, a summary of the cold war, and a history of the Labour Party seen from the left. It is as though Michael Foot was a pivotal figure throughout.

The truth is rather different. Foot was always an engaging man, but until relatively late in life his political influence was peripheral. He has perhaps two big claims to fame in British politics. The first is that he was instrumental in founding the Campaign for Nuclear Disarmament in the late 1950s. CND, whatever was said by its detractors, led to an intellectual concentration on the problems posed by nuclear weapons. It also contributed to the test ban treaty, which was the first serious attempt to bring the weapons under international control.

On tha second claim to fame, the jury is still out, but the preliminary verdict must be sympathetic. Jones puts it starkly: "The truth about Michael Foot's place in history is that he was the man who saved the Labour Party".

Some people may argue that by the late 1970s the Labour Party had served its purpose and should not have been saved. A more telling judgment will depend on whether there is ever again a Labour government. If there is, Foot will have done something to bring it about, for it was he who strove as much as anyone to hold the party together.

In his early political life, Foot had always been a maverick. Initially ha was a Liberal from a liberal family. He was never short of contacts. After Oxford, his first job was with a shipping firm in Liverpool, employed by the right wing brother of Stafford Cripps, and it was on Merseyside that he turned to socialism, though it was socialism of a quixotic kind.

Foot's patron was Lord Beaverbrook, for whose papers he wrote, despite dissenting views. His hero was Aneurin Bevan, of whom he became the biographer. Yet, as Jones points out, there was always a dilemma between politics and literature. Foot could do either, but was never quite sure which he preferred.

For a tima he had it both ways. He antered Parliament for Plymouth Devonport in 1945 and held the seat for 10 years. In 1960 he succeeded Bevan as the member for Ebbw Vale. Before he died, Bevan had become a controversial figure on the left of the party because he refused unilaterally to renounce nuclear weapons.

Foot knew, from his Bevanite experience, how schismatic the party could be, yet for a decade he continued on the outside left. Then in 1970, when Harold Wilson lost the general election, Foot decided to move inside. He stood for the shadow cabinet, was elected and for the next 13 years, whether in government or opposition, played a crucial role in keeping the party just about intact.

This is the seminal part of tha political chapters in the Jones book. Some of tha information, drawn from personal interviews, is new. I did not know, for instance, how far Foot was behind the Lib-Lab Pact of the late 1970s, and I was surprised to learn that Denis Healey was utterly loyal to Foot until the end. Healey, like Foot, had the same instincts: the only practical coursa was to seek to preserve the party.

The man who was badly treated was Peter Shore, who once seemed Foot's candidate for the succession to James Callaghan as party leader. In 1980 Foot forgot to tell Shore in time that he had decided to stand himself; the reason was that Foot was persuaded that he himself had the best chance of keeping the party together. Foot lost the general election of 1983 decisively, but the party survived. In the process, ha had seen off the Social Democrats and Tony Benn and begun to resist the Militant Tendency. Perhaps we should give him the benefit of the doubt; no-one else could have done it.

Yet Foot is a much more attractive, eccentric man than those last few intensely political years suggest. He was prone to accidents: he suffered seriously from eczema and asthma (hence his absence from the war), then had a car crash, which relieved him of both, but left him lame: hence his famons stick. He received gratuities from Beaverbrook which it is unlikely that a politician would survive today, but one does not doubt his independence. He wrote wonderfully about Jonathan Swift and was one of the best speakers in the House of the Commons. His parliamentary ally was often Enoch Powell, who has also avoided the Lords.

Some of this lively side comes out in the book; much of it is lost in the padding. The pity is that Foot is now spending his time writing about another hero: H.G. Wells. Typical Michael Foot. It would be good to have the real memoir.

Adventures of 'Boz'

***Anthony Curtis** enjoys Dickens' early sketches of London life*

This volume of Dickens' journalism, number one of a proposed four, starts in the 1830s when Dickens was employed as a reporter in the press gallery at Westminster Palace (before the present Houses of Parliament were built). His job was to record the debates for newspaper publication the following day. Grinding work but Dickens, who was barely 20 and who had taught himself shorthand, was highly skilled at it. Ha soon becama known as the king of the gallery and he regarded the discipline he acquired during his time there as the foundation-stone of his literary career.

When Dickens was not at Parliament he made space to do some imaginative writing of his own, sketches of London life that were pnblished in The Morning Chronicle and its recently started evening counterpart. He signed these literary pieces with the pseudonym "Boz" – borrowed from *The Vicar of Wakefield*, Goldsmith being one of his models.

Dickens was therefore two kinds of journalist simultaneously. A fully paid-up member of the NUJ, as it were, writing anonymous reports in the Chronicle, and under his pseudonymous Boz hat, a journalist in the sense that Simenon and Damon Runyon were journalists. All penetrated the mean streets of a capital city, sometimes the affluent streets too, making anthentic popular fiction out of the lives and crimes of the people they observed there. This tradition of "faction" still flourishes.

To read this book is to inhabit the aggressive, noisy, teeming world of a rapidly expanding London just before the young Queen Victoria succeeded to the throne. To boost the family budget, the boy Dickens was cooped up for long hours in a warehouse near Hungerford Stairs sticking labels on bottles of blacking. Once he escaped he roamed far and wide throughout the capital and its surrounding villages, his sharp eyes ever on the alert. All he assimilated he then re-cycled in a series of Sketches, Characters and Tales composed by Boz.

Michael Slater, the professor of Victorian literature at Birkbeck College, the editor of the edition, describes their complicated publishing history in both periodical and book form. They were an instant success from the moment they were published, a fact that has tended to be obscured by the even more phenomenal success of *Pickwick* in 1836. Even after that Dickens continued to write Boz pieces to meet the continuing demand for them.

Although a narrative element is never far below the surface, it is at descriptive writing that Boz excels. His portraits of the convivial places of public entertainment, Astley's Amphitheatre, Vauxhall Gardens, Greenwich Fair contrast with his depictions of the backstreets around Seven Dials, the sewing women earning a pittance there, and the wretched customers of the pawnbrokers. Boz caught them all with an ironic phrase or two; he applauded resourcefulness in adversity while he ruthlessly punctured the pomposity of the well-off.

DICKENS' JOURNALISM: VOL. 1
edited by Michael Slater
Dent £30, 580 pages

Even at the height of his later fame Dickens never wholly gave up journalism. He edited periodicals – Bentley's *Miscellany* and *Master Humphrey's Clock* – which he filled largely with his own contributions. He helped to found a new newspapar, The Daily Chronicle, and for a while edited it. The subsequent volumes will contain his work of this later period. Meanwhile the edition has got off to an excellent start.

Driven to nationalism

***Christian Tyler** on the internal struggles of central Asia*

In central Asia, always a hotbed of intrigue, an intriguing contest has been played out: in the red corner, socialism, which declared that the brotherhood of man would sweep nationalism away; in the green corner, Islam, believing that God would unite all races of the faithful; and, holding the ring, capitalism, with its promise of a material cornucopia.

This is the subject of Dilip Hiro's book. It is a compendious political guide to the internal struggles of central Asia and the south Caucusus, and marks their emergence as geopolitical entities in their own right.

Hiro describes how the Bolsheviks' early policy of indnlgent assimilation of the semi-nomadic races conquered by the Czars turned to economic exploitation and cultural and religions suppression. Gorbachev's *perestroika*, aided by such revelations as the cotton scandal in Uzbekistan, destroyed what faith was left in the Kremlin planners. Islamic nationalism was the natural recourse.

And yet, as the author shows, the dire forecasts of western analysts have proved wrong. Civil strife did break out – notably in Azerbaijan and Tajikistan – bnt the presence of fundamentalist Islamic regimes across the southern border in Iran and Afghanistan did nnt set the region alight.

BETWEEN MARX AND MUHAMMAD
by Dilip Hiro
HarperCollins £25, 400 pages

The largely Sunni moslems of central Asia have little religious affinity with Shia Iran – thongh many sought refuge there over the years – while the government in Teheran has shown a pragmatic reluctance to let its religious enthnsiasm interfere with trading prospects.

Turkey gloated at the prospect of a pan-Turkic alliance stretching virtually to the Pacific: not only was there a racial and linguistic connection and a coincidence of Sunni belief, bnt Turkey could offer commercial openings to the west. Yet when the Azeris looked to it for help against tha Armenians, they looked in vain.

Hiro says Turkey's western assets, in this case membership of NATO, proved as mnch a liability. He concludes that Russia will continne to be the dominant force in central Asia and Azerbaijan, with Iran and Turkey jostling on the sidelines as complementary suitors. Moscow will treat its former Soviet subjects as client states, much as the US treats the countries of central and sonth America. This is the reality which the UN appears already to have accepted.

Travellers thirsty for the colour and romance of former Soviet central Asia will not find it in this book. Dilip Hiro is a serious, methodical and objective historian of current affairs. But for the growing throng of diplomats and businessmen with an interest in the region – not least in Caspian oil – it must surely ha required reading.

Thrills in the bond market

You have to admire Paul Erdman's narve in writing a thriller based on municipal bonds. As a character in his story says, they are "so mundane, so tedious, so pedestrian". At least the anthor managed to find a catchier title than Capital Appreciation Bonds, the alternative description of the eponymous income-free securities.

To be fair, the novel does not by any means entirely revolve around zero coupon munis. It races along at a fair lick unless you unwisely stop to consider fault lines in the plot. Much more extravagantly it climaxes with a late 1995 German political crisis in which the chancellor is exposed for corruption, the Bundesbank chairman resigns and his successor shoots himself for failing to save the D-Mark, which suffers the sama fate as sterling in September 1992. Norman Lamont, at least, would enjoy this.

After three years in jail for a junk bond scam, Willy Saxon emerges in mid-1995 with $75m stashed away in Liechtenstein and an ambition to get right back into the game. He does not want to end up like poor old Bernie Cornfeld, a dead-end 46-year-old surrounded by champagne and girls.

So without even a tuxedo to his name, he moves into typical financial thrillerland – San Francisco – where everybody can be bribed, bullied, blackmailed or laid. He has spent most of his time in the correctional institution in the library, picking up information technology knowhow, and before you can say Sparcserver workstation he is corrupting cronies in the kind of Californian restaurant where *Pinot Grigio* is considered the last word in sophistication. Pausing only to explain to the occasional glamorous billionaire widow the virtues of tax-free municipal bonds, Saxon is soon jetsetting across the globe.

Erdman's brand name-dropping style, with regular mention of real people, suffers from poor research, however. Saxon travels on an airline named British Air, and for soma reason thinks George Soros runs Quantum Fund out of London rather than New York. Erdman also believes that the City of London would be open for business on Monday January 2. Incidentally, names like Claridge's, Barron's, Warren Buffett and (occasionally) Deutsche Bank are wrongly spelt.

The plot revolves around Saxon's plans to buy a collapsing investment bank called Prescott & Qusckenbush and turn it into an aggressive trader in derivatives. Along the way he picks up a stake in a dodgy credit rating agency to help him stuff a dozy investment institution with fraudulent bonds. But his big coup is to turn a hastily-assembled collection of former jailbirds and disgraced ex-Volkswagen currency traders into the hottest derivatives team since the days of *Liar's Poker*. When Germany suffers political and financial collapse just after Christmas they are somehow tha ooly people to notice and short the DM before the markets close for the New Year holiday. Poor old George Soros is left trailing behind, although at least by this time he has moved as far as New Jersey.

ZERO COUPON
by Paul Erdman
Macmillan £14.99, 350 pages

There is the required overdose of financial mumbo-jumbo, including talk of non-linear analysis through neural networks and genetic algorithms, and trading in a variety of semi-plausible products ranging from reverse floaters to index currency option notes. Only occasionally, fortunately, are there paragraphs of turgid explanation. Zero coupon bonds are, of course, by no means a figment of the lurid novelist's imagination although the variant described here appears to be more on the lines of the zero coupon perpetuals occasionally touted around the bond markets on April 1.

Paul Erdman puts the nonsense over with considerable style, and the book could help to while away a flight on British Air, whatever that may be. But after Willy Saxon pockets his profit the grim fate of Germany is left to the imagination, just as it arouses the reader's curiosity: better not read it on Lufthansa.

Barry Riley

Fiction

Good Works go wrong

Hilary Mantel is generally agreed to be one of the most interesting and accomplished of the younger – or perhaps the middle – generation of our novelists. Her last book, *A Place of Greater Safety*, was praised for its portrait of Revolutionary France and won the *Sunday Express* prize as well as a few grumbles about its extreme length. *A Change of Climate* is certain to consolidate this reputation.

It tells of Ralph and Anna Eldred who have devoted their lives to what used to be called Good Works. He is director of a charitable trust in Norfolk and London, and his wife assists and endorses him and runs their family of four children. As Kit, the eldest, says, "My father is so bloody saintly it would make you sick, but the trouble is it's real, it's all real. My mother . . . she's saintly too".

The lives of the Eldreds unravel in the course of an East Anglian summer when their 20-year secret at last escapes. In the mid-1950s the Eldreds had been sent to South Africa to work with a mission. First they lived outside Pretoria in a freehold black township which, like Sophiatown and Lady Selborne at that time, was to ha razed by the apartheid government.

They became politically involved, were arrested and jailed and eventually deported across the border to Bechuanaland. There, in a wretched place on the edge of the Kalahari, they encountered catastrophe – a horrific tragedy the nature of which I imagine most reviewers will choose not to reveal.

A CHANGE OF CLIMATE
by Hilary Mantel
Viking £15, 342 pages

Hilary Mantel's novel sets itself to describe, and to understand, the effect of this event on the subsequent lives of the Eldred family. Ralph as a young man had believed in "the complex perfectibility of the human heart". He is, and remains, a good man: "If we ara not to be mere animals, or babies, we must always choose and choose to do good".

He struggles to make sense of the episode in the Bechuanaland bush and to come to terms with any responsibility: "I accept thet I made choices and they were wrong, but then I think, too, that our lives have been ruined by malign chance. I do not see any pattern here, any sense, any reason why this had to happen . . ."

Back in Norfolk, his innocence still guarded by Anna, he determines to keep going – which, as his wise sister warns him, is typical of a man and will be at the expense of the people around him. Because – as she also believes – women turn inwards; they fail ill; and, in Anna's case, they are destroyed.

Don't worry, Anna says, she won't be a problem. "We're professional Christians, aren't we, Ralph and me?" But one day, as the children approach adulthood and her husband falls in love with a simpler, less anguished woman, she cracks.

This is, I hope it is clear, a serious and intelligent novel about difficult themes – the nature of evil, of forgiveness, of suppression, of acceptance. Not that there is anything laboured or theoretical about the depiction of these philosophies. The Eldred family is particularly well done, the children and their friands all vividly and sympathetically realised.

Ms Mantel evidently has an equal familiarity with both Norfolk and southern Africa: she catches, for instance, the embarrassed ambivalence of well-meaning foreigners when they encounter the African reality – "The village men were meagre, spiritless and skinny. The women were great tubes of fat, blown out with carbohydrate . . . Their voices were harsh, monotonous, somehow triumphal. God help me, Anna thought: but I don't like them, perhaps I fear them. These feelings were a violation of everything she expected from herself, of all her principles and habits of mind . . ."

My only hesitation is that, because the novelist's beam plays over so many characters, Ralph and Anna both remain a fraction under-exposed. They remain always at a certain distance. We recognise them, but we do not enter their private lives, and so we are impressed whare we should be moved. Many readers will, I am sure, disagree with me.

J.D.F. Jones

Two of the most important names in 20th-century ballet are under the spotlight once more

Choreographer to the great

Dance-actor of tremendous allure: the young Roland Petit with Irène Skorik in 'La Fiancée du Diable'

The elegance and passion of Roland Petit's latest work show him as dazzlingly a man of the theatre as ever, says Clement Crisp

Roland Petit celebrated his 70th birthday in January. Impossible, of course: the reference books lie, for this spirit of French ballet, French theatre, remains what he has always been, a creator (and an interpreter) of prodigious vitality, wit, and dramatic flair. And as if to prove it, Petit last week produced three new works for the Paris Opéra Ballet, their elegance and passion showing him as dazzlingly a man of the theatre as ever. It is the sheer craft, the mastery of means, that alone tell Petit's age and experience: no young choreographer today could be as daring, and tread the creative high wire with such aplomb.

It is fitting that Petit should mark this anniversary in the Palais Garnier, in which he grew up as pupil and apprentice dancer. He was, and he remains, the very essence of Parisian theatre. By 1945 he had fled its musty confines, had made his first creations, and had gained the friendship and support of some of the most significant artistic figures in Paris – Kochno, Bérard, Cocteau, Laurencin. His ballets of that period – *Les Forains* with its troupe of strolling players, its insidious Sauguet score, its miraculous design by Bérard of a cart and a piece of red cloth; *Le Jeune Homme et la mort*, where death comes to a youth in a garret, beneath the flash of the Citroen sign – remain among the truest examples of French culture as the war years gave way to a renaissance of theatre, fashion, art, which Petit's ballets typified.

Petit has always been an admirable indicator of the newest ideas; has joyously explored ballet, theatre, cinema, music hall, often with his wife and muse, Zizi Jeanmaire; and has in everything been stylish, vivid, and – rarest virtue – totally unpompous. His eye for design is unrivalled in the history of ballet, whence the fact that Picasso and Dior, Max Ernst, David Hockney, Paul Delvaux, Antoni Clavé, Yves Saint Laurent, de Chirico, Tinguely, Erté and the graffiti artist Keith Haring, are among those who have decorated his productions.

His sense of occasion, his ability to frame and enhance a dancer, have led to creations that have been worthy of Fonteyn, exquisite as the cat heroine of *Les Demoiselles de la nuit*; of Baryshnikov, as Herman in *Queen of Spades*; of Makarova, as *The Blue Angel*; of Plisetskaya in *La Rose malade*; of Peter Schaufuss as the Phantom of the Opera. His stagings for Jeanmaire have taken audiences from ballet (Zizi as the first, the only Carmen) to cinema (Zizi and Bing Crosby in *Anything Goes*), and music hall (Zizi, positively Zizissima, surrounded by *ses boys*, a mass of feathers, and those miraculous legs set to conquer the world). And there has been Petit as director for the past two decades of the fine Ballet de Marseille, for which he has made an astonishing variety of work.

For Petit is a consummate man of the theatre. He has been, and remains, a dance-actor of tremendous allure. He has made memorably good full-length ballets: *Cyrano* dazzled by its economy and imaginative wit; *Les Intermittence du coeur* was a poetically sensitive exploration of Proust'a world; *Notre Dame de Paris* and *The Phantom of the Opera* were hymns to his native city as well as skilful adaptations of two popular novels. He has re-made, gracefully, ballets' classics – a joyous *Coppélia*, an unfailingly happy *Nutcracker*. He has even published a volume of memoirs, *J'ai dansé sur les flots*, which is a series of lightning sketches of his work and friends, and like his choreography and his dancing, blazes with life.

The life-force is strong in the three new pieces he has made for the Opéra Ballet. The thread on which they bang is scores by composers of the second Viennese school. The opening *Passacaille* uses Webern's opus 5 orchestral suite and the opus 1 Passacaglia. The choreography is plotless, the stage bare, the forces are a central couple – Agnes Letestu and Jose Martinez – with an attendant group of six couples. Costuming, by Hervé Léger, offers white, exiguous tops and skirts or briefs, the women crowned with Nefertiti-like caps. The image is of the Pharoahs on the beach at Cannes, and is ineffably stylish. And so is the dance, which looks hieratic, off-beat, and is stunningly done.

There follows *Rythme de valses*, with a chamber group at the back of the stage playing the Strauss waltzes that Berg, Webern and Schoenberg orchestrated for a musical evening. Three couples are each occupied with their own number, then united for the closing *Emperor Waltz*. The girls appear wearing Léger's ballooning skirts, then step out of them to dance in striped leotards. Their partners are in vestigial Hussar outfits. We are, we may suppose, to see the skeleton of the waltz itself. Not even *that!* With what I *salute* as his conjuring tricks, Petit makes each couple do everything except waltz. They make jokes, hint at mad steps, stretch, strut, embroider movement ideas and, yes, they are inhabited by the insidious onward pulse of the waltz itself.

The piece is a capriccio by a master, most successful, I think, in the opening waltz which is done with adorable and youthful ease by Aurélie Dupont and Eric Quilleré. Mlle Dupont is beautiful, entrancingly cool; Quilleré is ardent, brilliant. The other conples (Carole Arbo and Lionel Delanoe; Fanny Gaida and Wilfried Romoli) are no less feat, though the cream of the ballet lies in its first section, where Petit states his cunning choreographic thesis.

Petit's dramatic taste has often seemed haunted by death, and never more violently or more frankly so than in the *Camera Obscura* which closes the bill. This is a trio whose emotional situation was sparked off by Nabokov's novel, *Laughter in the dark*. Petit subtitles it *Love is blind*, and the love of the wealthy Albinus (Patrick Dupood) for a sluttish cinema usherette, Margot (Marie Claude Pietragalla), is blind in its obsession, as in the fact that he is deprived of sight after a car accident. Albinus becomes aware of Margot's passion for the young Rex (Nicolas Le Riche). He seeks to shoot him, but is, instead, shot by Margot.

It is not this grubby narrative that occupies Petit, but its inner world of sexual obsession. To convey it, the choreography becomes more frank, more greedily sensual, than anything I have seen from him before, the dramatic scheme more allusive and more potent. The score, assembled from Schoenberg piano works, is ideally resonant. Performances, like the feelings they convey, are incandescent: Pietragalla, presented as irresistible flesh, is superb. Dupond catches all Albinus' sexual hunger; Le Riche admirably shows Rex's luscious physical allure as well as his miserable lack of courage.

Once again, Petit has illuminated the gifts of exceptional dancers. Once again, with Bernard Michel's light-installation of a set – neon, lasers – he has shown a way forward in stage imagery. Once again, he has demonstrated that panache, that unerring understanding of the theatre – where ballet, let us never forget, must live and flourish – which has always fired his art, as creator, performer, director.

The Petit programme is at the Opera Garnier, Paris, on March 19, 21, 22.

Today's most famous dancer

Joan Acocella reviews Baryshnikov's White Oak Project

After four years and ten tours, Mikhail Baryshnikov's modern dance troupe, the White Oak Dance Project, finally opened in New York last week. Why had Baryshnikov avoided New York for so long? Was it – as certain New York reviewers asked with obvious satisfaction – because of the New York reviewers? Maybe a little. Baryshnikov's nine controversial years as director of American Ballet Theater (1980-89) did not leave him with tender feelings either toward large dance companies or toward the New York dance world, with its "politics and policies," as he put it darkly in a recent interview with *The New York Times*.

When, after leaving ABT, he founded White Oak, he said that this troupe would be "for fun." He wanted to experiment, in a relaxed atmosphere. That is why he hired older dancers. (The company's age range is 31 to 46: no teenagers, no hysteria.) And that, no doubt, is why he did did not rush to arrange a New York season, which, for almost any company, is a tense, over-advertised, over-analysed, money-losing business.

About money, he need not have worried. Baryshnikov is still the world's most famous dancer, and he performs at every White Oak show. Given that fact, White Oak normally sells out any theatre it enters. New York State Theater was no exception. When Baryshnikov stepped onstage on opening night, so many flashbulbs went off that it looked as though someone had turned on a strobe light. (Later performances began with a stern announcement forbidding cameras.) New York may be a tough town but it still loves a star.

This very fact – that Baryshnikov alone sells tickets – has led some writers to ask where White Oak would be without him. But snch questioning implies that all Baryshnikov does at White Oak is dance, which is not the case. It was he who selected this largely excellent company; he also chose, and pays for, the superb six-person muaical ensemble, headed hy Michael Boriskin, that accompanies the troupe's performances. (Live music is now a rarity at American modern dance performances.) Finally, Baryshnikov is the one who put together White Oak's repertory, and it is stamped all over with his ideas, his history.

Baryshnikov defected from the Soviet Union in 1974 because he wanted to dance new roles, not just *Swan Lake* and *Giselle*. But in fact he spent most of his early years in the West performing the "classics", for that is what audiences wanted to see him in. Twyla Tharp created a number of hrilliant jazz-based dances for him, and he put in guest appearances with various modern dance companies. Still, he had a hard time breaking out of the "prince" track, and this left him with an extreme reverence for American modern dance. He has made White Oak's recent repertory a showcase for that tradition, with works by Graham, Hanya Holm, Jane Dudley, Paul Taylor, David Gordon, Meredith Monk. In the process, he has saved some lovely pieces, such as Holm's *Jocose* from oblivion.

For the New York season he added a Merce Cunningham piece, the 1970 *Signals*. *Signals* looks vaguely like a weekend party. People are lounging around in chairs. One by one, they come forward to dance introspective solos and duets; then they return to the group. It is as if we were seeing their public lives upstage, their private lives down-stage.

In White Oak's hands, *Signals* did not have quite the same high-ozone purity as when it is danced by its home tronpe, but that is always the case when a Cunningham piece is set on another company, and the lyric power of White Oak's *rendition is a testament* to the strength of Cunningham's work.

Bnt Baryshnikov does not just restage modern dance; he commissions it. His success is this department is mixed. New to the repertory this season were works by two young choreographers. Kevin O'Day, a White Oak dancer, presented the sweet-tempered and well-made *Quartet for IV*, to music hy Kevin Volans; and Joachim Schlömer, director of Germany's Ulm Ballet, contributed *Behind White Lilies*, an agonisingly horing work in which, to judge from their stabbing, palsied movements, the six-person cast underwent some extreme hardship (the decline of the West? the crisis of modern belief?) to the accompaniment of Schönberg's String Trio.

The most important commission of the season, however, was Jerome Rohhins's *Suite of Dances*, a solo for Baryshnikov to four movements from Bach's Suite for Solo Cello (played onstage by Wendy Sutter), and this was a real little beauty. Like much of Robbins's work, it is about the relations between "natural" movement and dance movement, but in the relations that Robbins creates going, for example, from what looks like any old hop to a *pas de chat* to a stag leap to a *grand jeté* – we seem to see ballet flowering, before our eyes, for the first time.

This illusion is abetted, needless to say, by the fact that the dancer is Baryshnikov. At 46 he still has a thousand steps, and a line so beautiful that it brings tears to your eyes. But what this dance showcased was his musical imagination, the sheer breadth of his response to music – comic, tragic, puckish, misterioso – and his ability, through steps in time, to conjure those states into being.

This was not a solo; it was a duet, for Baryshnikov and J.S. Bach, staged by a third master, Robbins. If Baryshnikov's fame is what sells tickets to White Oak, the tickets are worth every penny.

Baryshnikov: at 46, he still has a thousand steps

The forthcoming White Oak tour inclndes Italy (Milan, April 13-21; Reggio Emilia, April 23; Florence, April 28); then, from May through July, the US and Canada (Philadelphia, Minneapolis, Chicago, Vancouver, and other cities).

ARTS

Reputations reassessed

***William Packer** admires the work of neglected British painters*

Such is the modern emphasis nn youth that we are inclined to forget that talent is not its sole preserve. Too often, it takes a death to remind us just what commitment, axperience, gifts and achievement may lie buried in a long and quiet career.

Patrick Symnns, In Paris last autumn to see the Barnes Collection, stepped carelessly under a hus and was killed. He was 68. Although hy then RA, he was hardly widely known. There had been no retrospective at a great public gallery, no tours abroad and hut four solo shows in dealers' galleries in more than 30 years. Yet among his peers his reputation stood high for the steadiness and integrity of what he did. He had taught over many years, first at Camberwell where he had studied, and then at Chelsea. in his quiet and modest way, he had heen an influence.

To look now at his work in its slnw and steady development over some 50 years – at the still-lifes, the interiors, the musicians engrossed in present activity, ahove all at the densely wooded landscapes that were his special subject – is to recognise painting of an order rare enough in his day, and getting rarer every year. To speak of it as modest is to risk that very English vice of understatement. The truth is that its proper modesty, its unaffected, unselfconscious engagement with the work itself, is its greatest strength. For here are no histrionics, no showings-off and, no less important, no shallow sentimentality. Here, rather, is something educated, committed and complete.

It is painting founded in the true academic disciplines of observation, analysis and technical probity. in our wisdom we no longer pass on such things to younger artists, yet here, safe with a surprising number of their seniors, the tradition is not yet dead. Wa should celebrate it while we may, for it is to be found nowhere else. in any other country, Symons would have been a star.

Ruskin Spear, also RA, died in 1990 at he age of 79. His too was a painters' painter reputation, his gifts masked hy a conspicunus facility and a career committed to the art school studio rather than his own. He taught at the Royal College from the 1940s to the 1970s and it is now clear that his was a formative influence upon the Kitchen Slnk painters of the 1950s, and the subsequent emergence of Pop Art in its British manifestation.

It is the fate of the great teacher to see his pupils' often lessar talents flourish before his own, and Spear was never acknowledged as he deserved. He was never taken seriously because he seemed never to take himself seriously. It was all very well for a Hockney or a Blake to enjoy himself with pin ups, post-cards, shopfronts, hut that was youthful exuberance. For Spear to work from newspaper photographs, as Sickert had before him, was quite another thing.

But how well they last, tbese axtravagant, wry, funny images of daily life: Mrs Thatcher as the bluest rinse of all; the fashion model's teetering walk and scarlet mouth. Above all, what good paintings they are, seen now in the hroader working context of pub interinrs, market stalls and Hammersmith streets, as lovingly understood and knowingly painted as by any artist of nur time. As a painter of daily life, Spear stood alone.

Roland Collins, in his 70s, is still with us. He is a topographical artist of a generation later than that of Eric Ravilious and Edward Bawden, yat his work at its best stands direct comparison with tbeirs. His large gouaches and water-colours take us to Dieppe and Brighton, along the watering places of the Kent and Sussex coasts, and so back to London and, in a particularly splendid sequence of images, to the mews and backstreets of Belgravia in the 1950s.

Patrick Symons: Browse & Darby, 19 Cork Street W1, until April 16. Ruskin Spear: Crane Kalman Gallery, 178 Brompton Road SW3, until April 16. Roland Collins: Michael Parkin Gallery, 11 Motcomb Street SW1, until April 15.

Educated, committed and complete: 'Woman playing a cello' by Patrick Symons

Greedy for antiquities

***Antony Thorncroft** discusses the need for the treasure trove bill*

Some time, around 200 BC on Salishury Plain, a local Celt buried over 400 of hls most precious ohjects. They consisted of shields, axes and daggers, but probably had a religious rather than a military significance. For many of the pleces were ancient to him, dating back to 1800 BC, and too tiny and hrittle for warfare.

in 1985 some metal detector enthusiasts came across the hoard. If they had acted legally and gone to the local landowner, they would have become rich and the nation would have gained access to an archaeological site of great importance, perhaps a temple which held our ancestors in thrall for over a millennium.

Instead they photographed the objects and went to the dealers in antiquities. And once more the tha nation's feeble attempts to conserve Its past was in jeopardy. Now some of the objects are in the US and Japan; some have disappeared; many, fnrtunately, are in the British Museum; and the police are conducting an investigation Into the affair.

This find was so important that it was almost certain to attract attention. In this case a reputahle dealer, Lord McAlpine, sold some of the objects to the British Museum for £55,000. The tiny shields aroused interest and, as more came to light, the Museum made contact with tbe original finders, saw the photographs, and realised the importance of the discovery.

There is still much to sort out, hut If the standard procedures had been followed, and the cache reported to the British Museum, the metal detector enthusiasts – and the landowner – would have shared a substantial sum. Instead, it was the dealers who did well out of the find.

A new treasure bill, put forward by the British Museum and the Surrey Archaeological Society, has now started its laborious progress towards the statute books – and about time, too. The law of treasure trove, dating back to the Middle Ages and created to ensure that tbe monarch grabbed any hidden gold and silver, hore no relation to modern reality and gave limited incentive to finders of hidden treasures to declare them. The British Museum reckons that hundreds of thousands of objects are discovered each year, but no more than 20 or 30 finds are declared treasure trove and channelled towards a museum.

Over the years the losses have been tragic. In 1990 a hoard of Iron Age torcs, bracelets and ingots was discovered at Snettisham in Norfolk, hut hecause some of the objects were 50 per cent or more hase metal only a few of higher purity qualified as treasure trove and were kept together.

In 1986, the Middleham Jewel, a late 15th century reliquary, unearthed in a field in Yorkshire, was sold at Sotheby's for £1.43m because it could not be proved that it had been hidden hy its original owner, which wonld have made it treasure trove, rather than lost. Fortunately It was acquired by tbe Yorkshire Museum. in law even the Sutton Hoo burial ship, the greatest ever Anglo Saxon find, was not treasure trove, and only the generosity of the landowner enabled it to end up in the British Museum.

It is the same with the Salisbury Plain discovery: It contains no objects of gold and silver and is not covered by eitber old treasure trove – or the new treasure bill, although this does contain a clause leaving open the opportunity to extend its scope. This is one reason why the Department of National Heritage was suspicious of the bill and wanted to substitute its own measure – in time. If it became too comprehensive it would involve the recording of every find, at considerahle cost in staff and resources. But this week the government acknowledged the importance of the issue and seemed set to back some form nf legislation.

Under the new law proposed hy the BM it would no longer be necessary to establish the original owners intentions, and objects nther than gold and silver will be be given more protection. There will also be a tightening of the legal process in the reporting of finds. But while there are treasure seekers, with detectors, supplying some unscrupulous dealers, the nation's heritage will be still be pillaged.

Attention must be focused on dealars, and the anction houses, which have heen accused of offering antiquities for sale without adequately researching their provenance. The auction houses say the prohlem is much exaggerated and and that photographs in their catalogues can lead to the uncovering of stolan antiquities.

Joe Och, of Sotheby's, sits in the treasure trove reviewing committee which values finds legally reported, and believes that "this is an emotional subject, like fur coats. We operate a free system in the UK which offers rewards rather than penalties." Undoubtedly more finds are reported in the UK than in most European countries. In Italy, Greece, and Turkey, prohibitive restrictions on the ownership of recovered objects ensures that most finds are sold illegally.

Important ohjects, turning np out of the blue, attract attention. When some distinctive Roman bronzes, discovered and spirited away from a farm at Icklingham in Suffolk, surfaced in New York, the landowner forced the new owner to promise to leave them to the British Museum in his will, guaranteeing some belated justice.

There is also Lord Northampton, who paid a group of dealers millions for the Sevso treasure, the finest hoard of late classical silver ever to surface. When he tried to sell it through Sotheby's in 1990 for at least £40m, Croatia, Hungary and Lebanon all claimed it had been dug up on their land and belonged to them. Lord Northampton won the legal wrangle in New York but there has been an appeal and the silver still languishes in a bank vault.

Such examples, and the senslhly modest improvements contained in the treasure hill, could help return antiquities to the antiquarians and the archaeolngists and remove them from the grasp of opportunists.

Almost lost to the nation? One of the shields from Salisbury Plain

FT Opera Offer

If you are among the 17,000 readers who spplled for £10 tickets for a night at Covent Garden in the FT's promotlon last autumn – do not fret if you still await the call. The Royal Opera House is confident that everyone will get to see a performance this season.

Kotyo Kobonoun, wbich recently opened to excellent reviews, should absorb some of tbe demand, along with long runs of *Carmen* (although not witb Domingo) and *Figaro*. Readers will be pleasantly surprised if they take np tickets to see Harrison Birtwistle's *Gawain*.

in dance there is the stylish *Don Quixote* to come, as well as a Triple Bill, before the Royal Ballet goes on tour. Birmingham Royal Ballet comes down to fill the gap with its romantic new production *Sylvia* and its Triple Bill. Covent Garden is adding a third telephone line in the hope of giving readers a week's notice of their proffered production.

Chess No 1013

1 b3. If axb3 2 Qxb3, or b4 2 Qc4, or hxa5 2 Nc5, or N(c6) any 2 Ne5, or N(f8) any 2 Qxg6, or f1Q+ 2 Qxf1, or g5 2 Qf5, or g3 2 Qf3.

The Pinter spell is cast again

***Alastair Macaulay** reviews 'The Birthday Party'*

Among the many and haunting ambiguities of Harold Pinter's plays is this uncertainty: how *real* are these characters? The dream-logic (or nightmare-logic) with which they converse (or fail to converse) has long been famous, hnt as we watch a Pinter play we start to be unsure about whether they themselves are meant to be naturalistic or not.

Realistic figures suddenly appear surreal. Ordinary people turn, for a while, into caricatures, and then back again. They may well undergo more than one such change. Watching them, we never know for long where we are; and that is part of Pinter's spell.

Watching Dora Bryan in the National Theatre's new staging of *The Birthday Party* – a brilliant piece of casting – we constantly shift in our take on Meg, the married landlady she plays, and thereby also in our take on the whole household she runs. Bryan has been famous, for decades now, for investing ailly provincial working-class femala characters with a certain cartoon-like hrightness. She brings to them her own funny energy and quavery nervonsness, and makes them as memorable as characters in Dickens. What is marvellous in her Meg is that the play makes you sense strange and dark causes for her customary fretfuiness, fussiness, and stupidity. Even her brightness starts to register as a kind of escapism.

And yet she is still funny. Petey, her husband, explains to her that the show currently at the Palace has no music or dancing. "What do they do then?" she asks in the manner of one who is just learning that there is no Santa Claus. "They just talk," he replies. Bryan, registering this information, observes a properly Pinteresque pause. Then she just says "Oh." Her eyes (downcast hnt wide with alarm), mouth (sinking), and voice (tremulous) all convey the same uncomprehending distaste; and the audience guffaws.

We laugh partly because Pinter is joking at the expense of his own kind of theatre, of course, bnt also because of how the single word "Oh" sums np Meg's narrow mind. A show without singing or dancing belongs to that part of the world – like the mysterious wheelbarrow of which she is terrified – whicb she chooses to avoid.

Meg's little fears are just part of *The Birthday Party's* strange fabric of menace and terror and evasion. She insists that it is the birthday of her lodger Stanley, thongh he insists it is not. She throws a party for him, though he spends most of it in blank nonparticipation. Later she says it was a lovely party, though during it he physically threatened both her and the play's other female character, Lulu. He in turn is threatened, and finally ahducted, hy two strange visitors, Goldberg and McCann (both of whom have their own fits of fright). Sam Mendes, directing, heightens Stanley's occasional violence to women; and he makes Luln the kind of cartoon bimbo blonde we encounter in Dennis Potter's fictions, with breasts pulled np so high hy her bra that they point upwards like telescopes.

Mendes has assemhled all the ingredients for a first-class staging, not all of which had coalesced on the first night.

Anton Lesser traces all the various moods of Stanley – the play's principal victim – with convincing skill, but makes an altogether less forceful impression than Bryan. As Goldberg, the play's most menacing figure, Bob Peck certainly has force; he neatly conveys the character's elements of suave deceit; and, after cuddling the buxom Lulu on his lap a while, he adds a hilarious touch of embarrassment, getting her to get np and crossing his legs. But his manner is too elaborate; his is an unrelaxed performance that keeps signalling its every effect to us.

Trevor Peacock (Petey) and Nicholas Woodeson (McCann) are both impeccable, and Woodeson's grasp of the play's finctuations of threat and alarm is very fine. Emma Amos gives Luln a nicely hizarre comic hrightness to match Bryan's Meg. (They both remind us how close Pinter can sometimes seem to Joe Orton.) Tom Piper's designs not only create an effectively realistic 1950s interior, but also introdnce it with a drop-curtain of this town's sandy seaside beach (where Petey works) and frames this particular house against a background of other identical houses. This is just one house among many. Is this house normal or abnormal? Who is to say what goes on in the others?

In repertory at the Lyttelton Theatre.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Walking the Dog. 7.00 Galaxy Goof-Ups. 8.15 Chucklevision. 8.35 The Flintstones. 9.00 Live and Kicking.

12.12 Weather.
12.15 Grandstand. 12.20 Football Focus: Bob Wilson looks back at last weekend's FA Cup sixth round. 1.00 News. 1.05 Racing: A review of the leading horses, jockeys and trainers from the National Hunt Festival at Cheltenham. 1.20 Rugby Union: Preview of the day's action. 2.35 Rugby Union: England v Wales. Live coverage of the Five Nations Championship match from Twickenham, as Wales strive to achieve their first Grand Slam title since 1978 by repeating last season's Cardiff victory. Nigel Starmer-Smith and Eddie Butler commentate. 4.15 Rugby Union: Scotland v France. Highlights from Murrayfield. Can the Scottish XV achieve its eighth consecutive home win over the French? Commentary by Bill McLaren and John Jeffrey. 4.40 Final Score. Times may vary.
5.15 News.
5.25 Regional News and Sport.
5.30 Tom and Jerry Double Bill.
5.45 The New Adventures of Superman. Lois's life is endangered when she witnesses the murder of a scientist by a gang determinted to destroy the Amazon rain forests.
6.30 Noel's House Party. Noel Edmonds hosts more fun and mayhem from Crinkley Bottom as Dr Who Jon Pertwee is awarded s Gotcha and showjumping star Lucinda Green tries lo Grab s Grand.
7.30 Big Break. Joe Johnson, Paul Davies and David Taylor help contestants compete for the star prize.
8.00 Do the Right Thing. Terry Wogan hosts the proceedings as Fleet Street editors Andrew Neil and Eve Pollard join regular panellist Frank Skinner to tackle an ethical dilemma.
8.45 Birds of s Feather. Sharon and Tracey help out when man-hungry neighbour Dorien suffers a mid-life crisis.
9.15 That's Life! Esther Rantzen presents a selection of hard-hitting investigations and real-life humour.
9.55 News and Sport; Weather.
10.15 Match of the Day.
11.15 Film: Siege at Marion. A fanatical religious cult's defiance of authority culminates in a tense stand-off with the police and FBI. Fact-based drama, starring Ed Begley Jnr, Dennis Franz and Tess Harper (1992).
12.45 Weather.
12.50 Close.

BBC2

5.00 Open University. 12.15 pm Film: Station West.

1.45 Great Crimes and Trials of the 20th Century. Robert Powell reassesses the evidence in the case of Dr Samuel Sheppard, who was charged with murdering his wife in 1954.
2.10 Horizon. Discoveries casting new light on the evolution of the brain, suggesting possible solutions to questions that have long baffled scientists.
3.00 Those Fabulous Clowns. The history of the clown, from early performers like Joseph Grimaldi to later stars such as Charlie Chaplin.
3.40 Film: The Gypsy and the Gentleman. The late Melina Mercouri plays a passionate gypsy who has an affair with an impoverished nobleman. Melodrama, also starring Keith Michell (1958).
5.25 Late Again. Highlights from last week's The Late Show.
6.15 Scrutiny. Insight into the work of parliamentary committees.
6.45 News and Sport; Weather.
7.00 Crufts: Best of Breeds. Peter Purves, Jessica Holm and Mike Stockman meet the winners from all groups, including the terriers, hounds and gundogs.
7.50 The Giant Awakes. The second of three films on the Chinese economy investigates the increased number of loss-making state industries being destroyed by s new generation of competitors.
8.40 Unplugged. An acoustic set by Elton John recorded in 1990.
9.25 Arena. The history of the Kalashnikov AK-47 assault rifle, the favoured weapon of terrorists, mercenaries and freedom fighters worldwide.
10.15 Between the Lines. Clark is caught in the crossfire when Customs and Excise and the river police clash over s drug smuggling investigation. Shown previously on BBC1.
11.05 Crimes and Passions. Award-winning documentary charting the tragic story of Gina, a young French girl whose traumatic experiences began at the hands of her abusive father.
12.05 Film: Les Diaboliques. A tyrannical schoolmaster is murdered by his wife and mistress - but the body later disappears, and evidence of his presence continually haunts them. Classic chiller, with Simone Signoret, Vera Clouzot and Paul Meuriss (1957).(English subtitles).
2.10 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speedway.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos.
1.45 NBA Basketball.
2.45 Film: Oliver Twist.
4.40 ITN News and Results; Weather.
5.00 London Tonight and Sport; Weather.
5.10 Baywatch.
6.00 You Bet! Matthew Kelly invites wagers from Gary Mason, Jayne Irving, Carol Thatcher and David Hamilton. Charity challenges include a woman from Bedfordshire who claims she can identify the make, model number and engine capacity of motorbikes by listening to the sound of the engines.
7.00 Barrymore. Michael Barrymore meets a husband-and-wife harmonica duo, a 19-year-old circus entertainer and Rastafarian showjumper Oliver Skeete.
8.00 Inspector Morse. A world-famous opera singer visits Oxford to receive an honorary degree, but the ceremony ends abruptly when she is wounded by a mystery sniper. Culture-lover Morse (John Thaw) sets out to investigate - and takes s more than professional interest in discovering the would-be assassin's identity. Sheila Gish guest stars.
10.00 ITN News; Weather.
10.10 London Weather.
10.15 Film: Robocop. Premiere. Paul Verhoeven's violent SF adventure about a dedicated police officer (Peter Weller) who is brutally murdered by sadistic thugs and rebuilt as a prototype cyborg to combat the criminals overrunning Detroit. Nancy Allen, Ronny Cox, Kurtwood Smith and Miguel Ferrer also star.(1987).
12.00 Comedy Club.
12.30 Tour of Duty.
1.25 The Round-the-World Yacht Race; ITN News Headlines.
1.30 The Big E.
2.25 Get Stuffed; ITN News Headlines.
2.30 New Music.
3.30 Travel Trails.
4.00 American Gladiators.
4.55 BPM; Night Shift.

CHANNEL4

REGIONS

SUNDAY

BBC1

7.30 Penny Crayon. 7.40 Playdays. 8.00 Blood and Honey. 8.15 Breakfast with Frost. 9.10 Lead Kindly Light 10.00 See Hear! 10.30 Lingo! 10.45 Italianissimo. 11.05 Careering Ahead. 11.30 If the Worst Happens. 11.40 What Shall We Tell the Children?

BBC2

6.15 Open University. 0.10 Draw Me. 9.25 Simon and the Witch. 9.40 The Animals of Farthing Wood. 10.05 Incredible Games. 10.30 Grange Hill. 10.05 Short Change. 11.20 Earthfasts. 11.45 The O Zone. 12.00 Dr Who. 12.25 pm The Fugitive.

LWT

8.00 GMTV. 9.25 The Disney Club. 10.10 Link. 10.30 Sunday Morning with Secombe. 11.00 Morning Worship. 12.00 Sunday Morning with Secombe. 12.30 pm Crosstalk; London Weather.

CHANNEL4

REGIONS

RADIO

SATURDAY

SUNDAY

CHESS

Success of a lifetime for Karpov, defeat and controversy for Kasparov – these were the features of this week's Linares tournament, the strongest ever.

Scores were Karpov 11/13, Kasparov and Shirov 8½, Bareev 7½, Kramnik and Lautier 7, with Judit Polgar next to last on 4. Karpov's tournament rating was a record 2,975, while Kasparov lost a Giuoco Piano to Lautier where the Frenchman, playing black, queened a pawn in 21 moves.

Earlier, Polgar claimed Kasparov placed his knight on a losing square against her, released his hand, then moved the knight to safety. Polgar was too stunned to protest immediately and the watching arbiter failed to notice, so the result stood.

Video film stills confirmed that Kasparov's hand had quit the knight for about a quarter of a second.

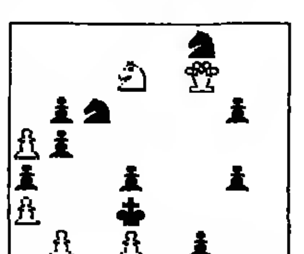
Meanwhile, here is the most brilliant game at Linares.

V. Topalov, White; E. Bareev, Black.

1 e4 e6 2 d4 d5 3 Nc3 Nf6 4 Bg5 dxe4 5 Nxe4 Be7 8 Bxf6 Bxf6 7 c3 Nd7 8 Qc2 e5 9 dxe5? 9 0-0-0 is consistent, starting a race of mutual attacks.

Nxe5 10 f4 Ng6 11 g3 0-0 12 Bd3 Qd5 13 a3 Nxf4! Refuting White's profusion of pawn moves. If now 14 gxf4 Bh4+ 15 Kf1 f5 regains material.

14 Nxf6+ gxf6 15 Bxh7+ Kg7 16 Qe4 Re8! 17 Qxe8 Bf5! A double rook sacrifice to force mate, a rarity in modern GM chess. 18 Qxa8 Qe4+ 19 Kf2 Qg2+ 20 Ke3 Nd5+ 21 Kd4 Qd2+ 22 Kc5 Qe3+ 23 Kc4 Nb6+ 24 Resigns If 24 Kb4 Qe7+ 25 Kb3 Qe6+ 26 Kb4 Qd6+ 27 Kb3 Qd5+ 28 Kb4 Qc4+ is one way to mate.



Chess No. 1013
White mates io two moves against any defence (by A. Willmott, The Problemist 1994).
Solution Page XX

Leonard Barden

BRIDGE

My band today comes from rubber bridge:

N
♠ Q J 2
♥ Q 7 3
♦ 9 6 3
♣ Q 7 4 2

W
♠ A 9 8 7
♥ 9 8 6
♦ K Q 10 8
♣ 10 8

E
♠ 5
♥ 10 5 4
♦ A 7 5 4
♣ J 9 6 5 3

S
♠ K 10 6 4 3
♥ A K J 2
♦ J 2
♣ A K

At love-all, South was dealer and opened the bidding with one spade. North replied with one no-trump and South re-bid three hearts. North gave primary preference with three spades, and four spades from South concluded the auction.

The opening lead was the diamond king. The queen followed and South ruffed the third diamond in hand. A low trump ran to the queen and the knave followed, East showing out. West, who started with four spades to the ace, allowed the knave to hold – this is routine defence. In the hope that West had no more diamonds, declarer played another round of spades. West won, forced declarer with his last diamond and his nine of spades, now master, defeated the contract.

Could South do better? Yes. His mistake was in playing dummy's spade knave. He should return the two to his 10. West holds up, but now South cashes ace, king of clubs and ace, king, queen of hearts – the even break must be assumed. In the three-card ending, West has ace, nine of spades and diamond 10; dummy has spade knave and queen and seven of clubs; while declarer holds king, six of spades and the knave of hearts.

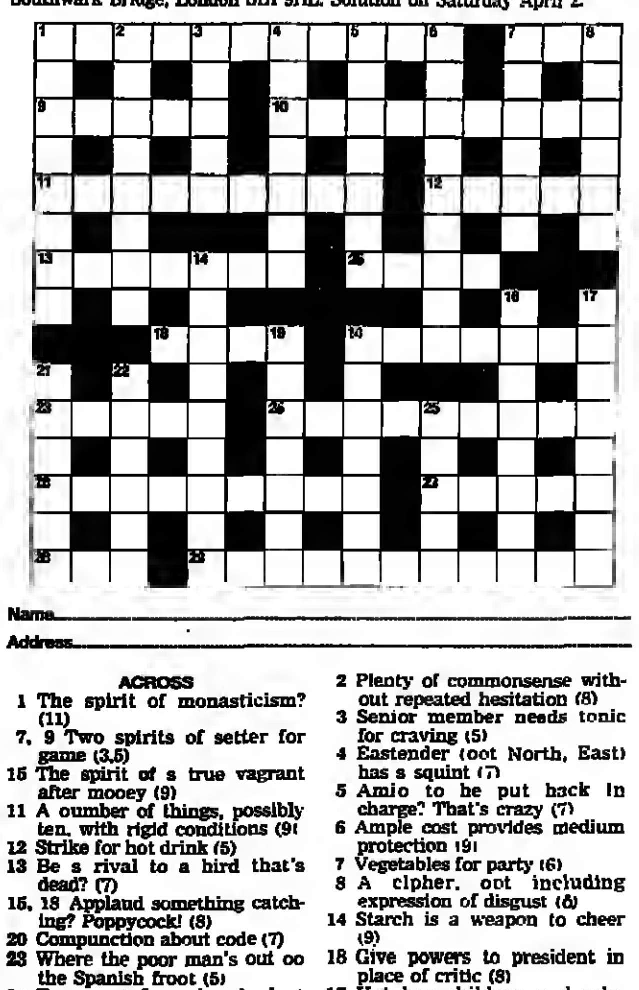
South leads dummy's seven of clubs and ruffs with his spade king. This leaves West helpless. If he throws his diamond, South leads his heart to score dummy's spade en passant. If he over-ruffs and returns a trump, dummy makes the last two tricks; if he returns the diamond, South cross-ruffs his way home.

E.P.C. Cotter

CROSSWORD

No. 8,408 Set by CINEPHILE

A prize of s classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solutioo opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday March 30, marked Crossword 8,408 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday April 2.

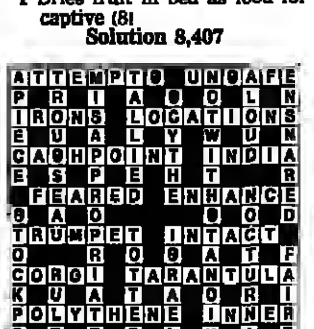


Name..........
Address..........

ACROSS
1 The spirit of monasticism? (11)
7, 9 Two spirits of setter for game (3,5)
10 The spirit of s true vagrant after mooey (9)
11 A oumber of things, possibly ten, with rigid conditions (9)
12 Strike for bot drink (5)
13 Be s rival to a bird that's dead? (7)
15, 18 Applaud something catching? Poppycock! (8)
20 Compunction about code (7)
23 Where the poor man's out oo the Spanish froot (5)
24 Transport for a hundred at Easter, perhaps (6,3)
26 Rise to vote aye? (9)
27, 28 Parliamentary official born to be spoilt child, as they say? (5,3)
29 Solid figure of head buffeted in raging torrent (11)

DOWN
1 Dries fruit in bed as food for captive (8)
2 Plenty of commonsense without repeated hesitation (6)
3 Senior member needs tonic for craving (5)
4 Eastender (not North, East) has s squint (7)
5 Amio to be put back In charge? That's crazy (7)
6 Ample cost provides medium protection (9)
7 Vegetables for party (6)
8 A clpher, oot including expression of disgust (6)
14 Starch is a weapon to cheer (9)
16 Give powers to president in place of critic (8)
17 Hst has childreo and relations (8)
19 Danger signal in part of film to show what will happen (7)
20 Do a turn, otherwise a circular construction (7)
21 Modify one's anger? (6)
22 A vulgar girl in US, not at home (5)
25 List for pool, water etc (5)

Solution 8,407



Solution 8,396

WINNERS 8,396: R.K. O'Keeffe, London NW3; G.D. Bates, Temple Sowerby, Cumbria; Mrs L.D. Benoit, Maidstone, Kent; S. Tullah, Sutton Coldfield, W. Midlands; I.J. Whitting, Bickley, Kent; G.D. Young, Northolt, Middlesex.

Deadly rattle of skeletons

***Dominic Lawson** ponders the ugly question of wartime collaboration*

We all have skeletons in our closet. In the case of the people of France, there are 75,000 of them. That is the estimated number of French Jews ronnded np and sent by their Covernment to be mnrdered in Nazi concentration camps. At least seven more French Jews met a different fate. They are the people for whose execution Pierre Touvier is now on trial at Versailles.

"Crimes against humanity" is on the charge sheet, and the 78-year-old former intelligence chief of the Milice, the Vichy regime's pro-Nazi paramilitary force, is the first Frenchman to be so charged.

Yon might wonder, as I do, why Tonvier is the only Frenchman against whom such a charge conld be levelled.

You might *also* wonder why Touvier has had to wait 50 years for his trial. The answer is thet be was sheltered throughout the intervening years by varions outposts of the Roman Catholic Church in France – a skeleton in the cloister, if ever there was one. But the people of France do not, for understandable reasons, like to dwell on such embarrassing memories. Instead they prefer to carry on preparing their celebrations for the 50th anniversary of D-Day in June, and in particular, snub the Germans by not inviting them to the party.

Last week the mayor of Caen, who had broken ranks by inviting Helmut Kohl, the German chancellor, to their local celebration of the great Day, was ordered by Paris to withdraw the invitation. Having the Germans around would be an unfortunate reminder of just how ambiguous was the relationship between the French people and the Nazi invader.

The resulting spat in the Franco-German relationship fills us in England with feelings of deep satisfaction. If we were German we might call it *Schadenfreude*, joy at the discomfort of others. But as we are English, we call it Remembering the War. It was, after all, Our Finest Hour.

We have no skeletons in *our* closet, unless yon are going to be fussy and dredge up the fire-bombing of Dresden. We, thanks principally to Hitler's decision to open a second front against the Soviet Union, never had to face ontright German invasion. Doubtless, if we had, we would have fought them on the beaches. And I believe that, if the worst came, the British people would have fought the Nazi invader street by street. I cannot imagine that a British Government would have handed London over to the enemy, without a shot being fired, in the way the French did Paris.

But if we had been overrun by the Nazis, would we then have been ruled by an assidnously collaborationist regime, along Vichy lines? Would we, *in other words*, have had our own Tonviers? It is interesting how quickly you can reduce a civilised London dinner party to shouting and walk-outs by suggesting that this is what would have happened in Britain.

Discussions – or rather, ferocious arguments – abont what would have happened to British Jews, usually disintegrate into competing hypotheses. But, there is no need to hypothesise.

Last year, under the 50-year rule, documents were released which showed how occupied Guernsey collaborated with the Nazi invader's solntion to the Jewish problem. The papers charted British officials' collusion in identifying three Jewesses who were subsequently deported and perished in Auschwitz. Last week it was the turn of the Jersey archives to be released.

Most of the papers relating to the period of occupation had been mysteriously stolen. But those that remained paint a depressingly familiar pattern, with officials assisting their German governors with the identification of the Jewish population.

One document, from a British company, reports that: "As far as the Channel Islands are concerned, I can definitely state that no Jew, male or female, is employed by the company, nor had any Jew been so employed since the Jersey branch was opened."

Perhaps the company was simply trying to protect its Jewish employees. What would you have done?

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

The high priest of pure French

The French government is introducing a new law to protect the language. Maurice Druon, secretary of the Académie française, is an anglophile who says English, too, is being corrupted

There *is a sports*wear shop in Calais called "Athlete's Foot". I was thinking of it last week in Paris on my way to the Académie française, that venerable custodian of the French language, when I passed a marine equipment shop called "Nauti Store".

As I crossed the Seine in the spring sunshine, pondering the Balladur government's announcement of a language bill with stiffer penalties to enforce the public use of French, I was nearly run over by a breakdown van. Painted in large letters on its side were the words "Yellow Cad".

The perpetual secretary of the Académie, its commanding officer in the war against linguistic corruption, *is the writer and anglophile* Maurice Druon.

"*Je vais commencer alors par un* statement," he said as he ushered me with a flourish of Callic courtesies into his elegant cabinet room. "I'm a great admirer of the style of Cibbon and Churchill. *Bon. Voilà comment je vous accueille.*"

Druon does not, God forbid, speak franglais. He is a former minister of culture, member of the French and European parliaments and a winner of the Prix Goncourt. He was with de Gaulle's Free French in London during the second world war.

No, he switches with virtuous ease between the two tongues, according to the mood of the moment. In his own language he is declamatory, rolling the words around his tongue with the relish of a wine-taster. In English he has the upper-class drawl of the clubman (he is a member of the Garrick and the Savile), and makes redundant apologies for the poverty of his syntax and pronunciation.

We sat in matching armchairs with aged leather seats. The first "*Immortals*", the *founder members* of the academy set up by Cardinal Richelieu in 1635 as a supreme court to decide the rules of French, looked down from the walls.

"A cup of tea, perhaps?" said the perpetual secretary.

A butler arrived and set down a silver tray. I began by asking: What, really, is the threat? Isn't the academy's attempt to preserve the language culturally stifling?

Druon sighed. "I answer in another way. I much regret that you have not an académie anglaise, a state institution to watch over your language."

As for the academy's work, he continued: "Did that stop the Enlightenment, the *philosophes* of the 18th century? Did it stop the industrial age, the discoveries of the 19th century? Did that stop Pasteur? Did it stop Claude Bernard, or – closer to us – the Curies or the Duc de Broglie?"

But aren't things different now? Perhaps French is becoming fossilised...

"Fossilised?" Druon stared with disbelief. "Fossilised? When in the *first volume* of our *dictionary* we have 5,000 new words? In the former edition, of 1935, there were about 35,000 words. Our new edition (It has reached the word "enzyme") will have at least 50,000 words, probably more – that is, 15,000 accepted new ones."

He got up and walked about. "Do you play *golf?*" he said. *I said* No. "When people propose *oiselet* for 'birdie' or, I don't know, *obstacle de sable* for 'bunker' I raise my shoulders and I say 'Let the expression pass! *Foutez-moi la paix!*' Because golf terms are English and we have adopted them."

The academy had even accepted anglicisms such as "tennis" which derived from the French – as in *tenez!*

To recognise words for which *there is no substitute is* one *thing*, I persisted. To legislate for the control of language seems to me quite another, extraordinary thing.

"Sir. You have been informed by the French press, which is very badly informed." He gave his wheezy, smoker's laugh. "It's not a law on the French language, it's a law on the obligation of using French in various areas."

Yet if it suits a firm to use English internally and that facilitates business, why not?

"Why use a foreign language if the user is not an English speaker?" In some cases, he added, it could even be dangerous – if, *for* example, technical instruction manuals were not in French.

I agreed. But there was a time, I said, when the whole of Europe used Latin for certain purposes. Today we clearly need a *lingua franca* and...

"But exactly! You have the French language!" He was triumphant.

Isn't English the *lingua franco* now?

"*Listen. There we are going* to have a difference of opinion. For one thing, the English language is no longer what it was. What is sprayed all over the world is not really English. It's American. It's not the English tongue, It's a dollar tongue."

But the Latin spoken all over Europe was dog Latin, not the Latin of Tacitus or Cicero.

"Certainly. That's why it has been replaced by the French!"

If this bastard English is useful, why should we not speak it where it's appropriate?

"Where is this notion of useful? It's useful in commerce, in advertising, useful in money. It is not useful for the mind."

The academy has about 40 members – usually septuagenarians – of whom Maurice Druon, of course, is one. (There are also two women now). I stuck out my neck.

Why should the language of the *majority, I asked, be determined by* the sentiment of an old minority?

"It's not an old minority. It's an old majority."

But why should they have this power?

"Sir. Words are a means of exchange. That's a currency, and bad currency... *comment dire, chasse*... drives out, the good. We are trying to keep a good currency. That's why we accept a lot of new words if they are in common usage. Don't think we are the enemy of English..."

I read that people refuse to employ the gallicisms that have been created for them. Why not let the market decide what is most appropriate?

"If you let in the market, you let in the jungle."

Can yon resist the market in this age?

"*Bien sûr. Bien sûr.* One can dissuade. *Monsieur*, we are there to give the sense of sin. Commit it by all means, but know that you are committing a sin."

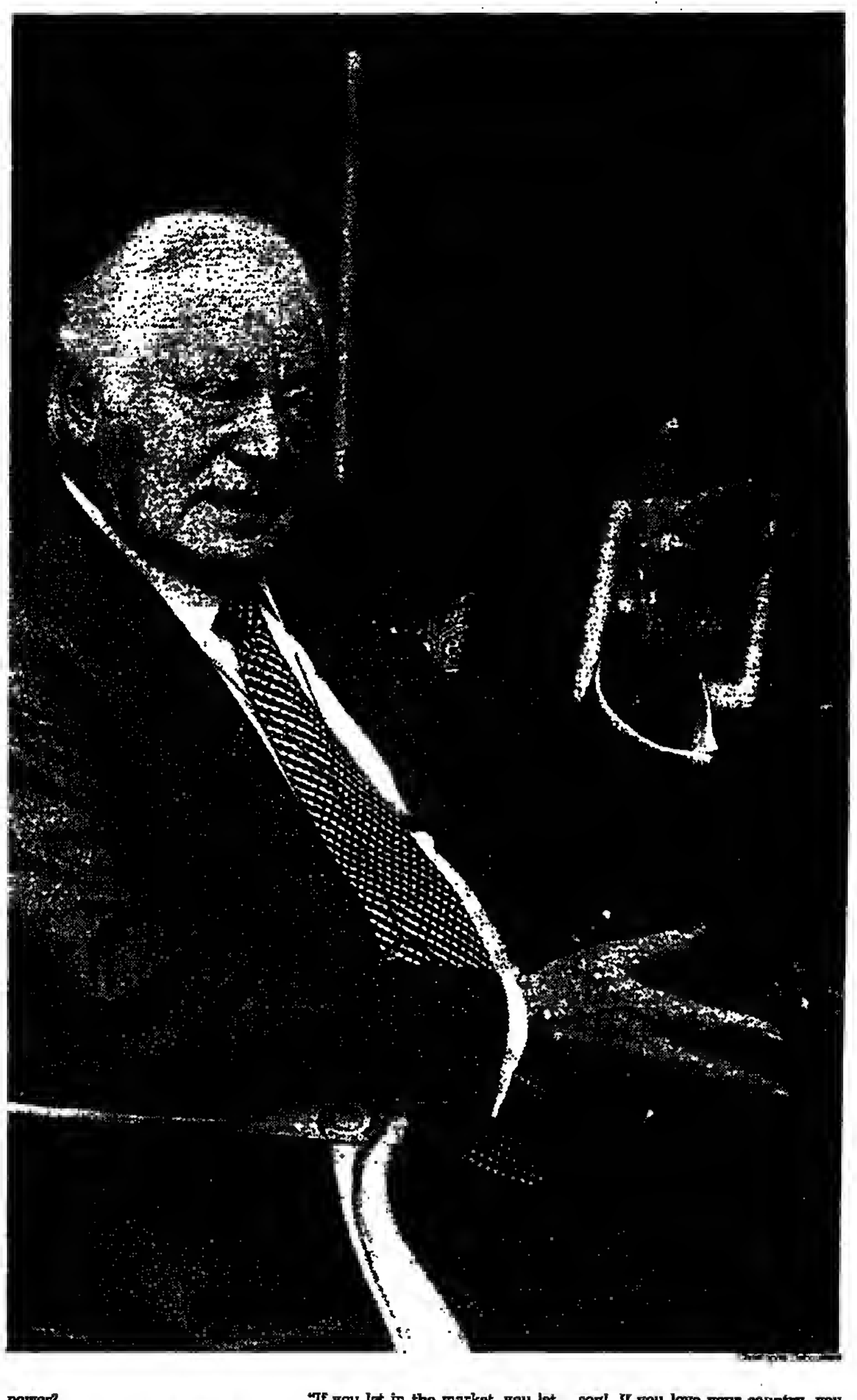
Isn't that bad law, like the law *against smoking in bars, which I* hear is widely disregarded?

"Listen. I am smoker, but this is another matter. It goes much further. The language of a people is its soul. If you love your country, you must love your language. It is the fundamental intellectual patrimony. It is what determines, to a large extent, your identity. And as perpetual secretary of the Académie Française, it is I who am in the vanguard."

But, of necessity, behind the rest of the country?

"*Mais, No!*"

I compared the Académie Française with the Vatican, and Druon talked of the four great institutions of Europe before the first world war. The one that had not survived, he said, was the general staff of the German army. I did not understand the French phrase so the *académicien* went to the bookshelf and plucked out Harrap's dictionary, screwing a monocle into his eye to read the entry for me.



As a writer (he told me he had sold 11m copies of *his books* in Russia alone) Druon is concerned not just with words, but with syntax. And the Anglo-Saxons, he said, were losing control of their syntax.

Do you mean that thought itself suffers when syntax goes?

"Yes. Ah, yes."

And political ideas will become more banal?

"The political question is the ability of the new generations to construct and express their thought in *proper sentences*." The *importance* of the message impelled him back into French: "You cannot dissociate words from thoughts. And it's to preserve this quality of the formation of ideas that we conserve French, a language which is analytic, precise and clear. We don't want it to lose its clarity.

"If we get to the point of using false English words in French, that is the height of degradation. Another idea: it is not good for the world, *for humanity, to have only* one language, because that language will not keep itself pure."

Isn't that to overstate what's happening?

"Wait. A sole language, a uniformity, a pidgin *angloricain* spreading over the planet. It's very bad. We need different languages. If there is no difference there is no *mélange* or confrontation of cultures. New ideas will not be born."

Can we not have horizontal boundaries between languages – the peasant speaking his patois, the bourgeois his demotic, the international civil servant speaking English? "*I'm no more in agreement* with you. The human spirit must have a language that transcends all levels and specialities.

"Look, I'm an old Anglophile. I should not want English and French to be enemies, but allies. Because they are both carriers by nature of the values of liberty and dignity. So we needn't deprive ourselves of either."

Most countries, I said, manage without linguistic laws and academies. *What makes France so different?*

"*Ah, ça!* Perhaps because we are the oldest nation in the world with the sentiment of nationhood. Also because the instrument we have forged, the linguistic instrument, became the *lingua franca* of the 18th and 19th centuries. All the countries of Europe, Creat Britain excepted, were intellectual provinces of France. But this is because nf the quality of our language."

I tried one *last shot: it* has fewer words, I believe.

"Dare I say, you have less syntax. And besides – I don't want to be disagreeable – if English has had some success it is because it is the easiest language to speak badly." He gave another wheezy chuckle.

That, perhaps, is its great advantage, I said. But you say English, too, needs preserving?

"Yes."

What shall we lose if we don't create an Académie anglaise? The power of literary expression?

"No, your soul."

The perpetual secretary laughed. There was no reply.

Truth of the Matter

Fleet Street's back to basics

*Good old British hypocrisy over sex has returned, says **Philip Stephens***

"Oh lord," sighed the young minister as he scanned the headlines in the tabloids: "I suppose one of these days I will have to confess I lost my virginity to a married *woman*".

Yes, it has been another of those weeks. Another establishment sex scandal and another resignation.

The News of the World, a Sunday tabloid newspaper, started the moral witchhunt with its disclosures three months ago that a middle-ranking minister had fathered an *illegitimate* child. *This week it* claimed a higger scalp – that of armed forces chief of staff and marshal of the Royal Air Force Sir Peter Harding.

In between there has been a spate of these so-called scandals. As media lights have been shone into dark corners of the private lives of *the prominent*, the results have frequently been farcical. One Tory MP was obliged to confess publicly he had shared a French hotel bed with a male friend – for no other reason than to save a few francs.

But there has also been n more unsettling dimension. The revelations have not heen confined to what was once *seen as the grubbier* end of the tabloid press. The so-called qnality papers and the electronic media have picked np the same stories with gusto. Prurience and the public interest have often been treated as inseparable.

For those of you who have spent the week on a saner planet, Sir Peter's misdemeanour was straightforward. A married man, he fell for an excitingly-dressed woman by the name of Miss Bienvenida Perez-Blanco.

She now calls herself Lady Buck, a title bestowed through her brief marriage to the former Tory MP Sir Anthony Buck. Not much is worth *saying about Lady Buck save that* she claims to be of Spanish extraction, is in her middle 30s, dresses as if she is 20 years younger and has a penchant for influential men 30 years older.

But Sir Peter fell for her. She took her story and his intimate love letters to the Sunday newspaper, which added a "security" dimension to justify the invasion into his private life. She pocketed the money. He resigned.

That, you might say, should be the end of it. But it will not be. Newspapers, battered by recession and a secular decline in readership, will not to let this one go.

Sex sells newspapers. Sex in high places sells even more. When there is no alleged security angle, John Major's ill-fated back-to-basics initiative provides sufficient cover.

Ministers insist children in the classroom are taught the difference between right and wrong. So the media reserves a right to highlight *occasions when the politicians* are not so discerning.

But there has been another hig change. Previously, the broadsheet press would have ignored most of the recent scandals. The Daily Telegraph would have tucked the odd piece on page three alongside reports of the more lurid cases *before the courts. The Times would* have remained aloof. The Guardian would have slipped in the odd detail through an account of what the tabloids were up to. Now the broadsheets vie with the rest.

The Telegraph, for example, began this week with colour photographs of Sir Peter and his *paramour on the front page. An* editorial condemning the revelations as "gutter journalism at its rankest" looked misplaced.

Nor is television and radio news immune. Where once the bulletins would report such incidents only if and when someone resigned, they now take their lead from the tabloids. Prophecies of resignations and assertions of public interest *become self-fulfilling*.

But something else is going on. This is more than n bout of midwinter madness fuelled by shrewd commercial jndgment. Politicians and generals have been having affairs since time immemorial. When an MP died suddenly a few years ago in the arms of his mis*tress* not a word of *the circum*stances appeared in print.

The opinion polls tell us that the moral pnritanism of "back to basics" has caught a popular mood. The marketing men are equally certain that the public appetite for salacious stories, and contempt for the establishment, has never been *greater*.

The two are reconciled only with one rather sad explanation. The British penchant for hypocrisy has returned with a vengeance.

Back to save us

Michael Thompson-Noel

Dead Hollywood stars will return from the grave if developments in reanimation technology hear fruit. According to a recent news story: "Using raw data culled from old films and the latest digital computer animation, Hollywood scientists are perfecting [techniques] to create synthetic actors who look, sound and move just like the real thing."

Quite soon, celluloid legends such as Vivien Leigh and James Dean could be starring in new films, alongside living actors. "The era may be approaching when old actors neither fade away nor die," said the news story, "but star time and time again, long after their mortal remains have turned to dust. Instead of appearing in person at the Oscar ceremonies, they could send along compnter images to *weep and thank and celebrate*. No one would know the difference."

One of the names by which the new technique is known is Live-Synchro. Live-Synchro featured in Hawks & Handsaws two years ago, in a column which also anticipated the debut of "animatronic actors – humanoids, robots – who will play any role, from buffoon to sex siren, at a millifraction of the [normal] fee."

Anticipated is a hit cheeky; all I was really doing was showing that I possessed a much-thumbed copy of *July 20, 2019: Life in the 21st Century*, hy Arthur C. Clarke, the famous science fiction writer.

What no one yet knows is that these techniques, Live-Synchro and animatronics, work in reverse.

I discovered this on Wednesday when summoned to 10 Downing Street for a late-night interview with John Major, the prime minister of Britain. I hurried there speedily. Soon I was enjoying, together with the prime minister, a splendid supper of bacon, eggs, sausages, tomatoes, mushrooms and baked beans.

HAWKS & HANDSAWS

An aide had explained that I am now the only journalist Major will see, so *I started off politely, biding* my time.

"Economy recovering nicely, John, give or take a sixmonth?"

"Indeed it is, Michael. It is recovering really nicely, given that my administration has worked jolly hard to achieve the conditions requisite to sustainable long-term growth free of the harrowing bugbear of rampant inflation."

"Trade rows under control?"

"Trade rows under control."

"*Ditto Tory sex scandals?*"

"Ditto Tory sex scandals."

It was time to raise the tempo.

"I am surprised, John," I said, "that you haven't gone screaming mad, or tried to harm yourself, given the ferocity of the criticism heaped upon you. Not this century has the leader of a democracy been vilified as you have. Yet you just keep smiling. The latest organisation to demonise you is Amnesty International, which excoriates you for selling 40 Hawk military jets to Indonesia.

"'For God's sake,' says Amnesty, 'what kind of morality is it where sleeping with an actress can get a minister hounded from office, hut it's OK to sell lethal weapons without legal guarantees that they won't be used to kill innocent people.'

"How do you handle that, John? How do you keep your sanity? It is almost as though" – I speared a reluctant sausage – "you were programmed, somehow... as though you were an image from the middle of the next century sent to serve as a lightning conductor for all our troubles and pain."

"Later," said Major.

"Pardon?"

"2082. It's called Reverse Live-Synchro, or RL-S. I am indeed a projection. in real life, I am a low-ranking official in the fisheries ministry of the government of Eurasia from 2082. I am Norwegian, as it happens. Married, two children. Rather good at golf. Thanks to RL-S, I have been projected backwards in time to act, as you put it, like a lightning conductor: to head off the catastrophe facing Britain – invasion hy Malaysia.

"That is scheduled to happen in four years' time. I am here to stop it. The downfall of Margaret Thatcher was a technological feat engineered by our scientists. I was sent as replacement. My supreme incompetence is a clever Eurasian smokescreen. I am so incompetent that the Malaysians will take pity on us and cancel the invasion. At least, that's the hope."

"*I am flabbergasted*," I said. "Why have you never told us that you are a synchroton sent to save us?"

"Because," beamed the image, "no one's ever asked."